

MOSES KOTANE LOCAL MUNICIPALITY



FINANCIAL STATEMENTS
2011/2012

MOSES KOTANE LOCAL MUNICIPALITY

GENERAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2012

SPEAKER

Councilor

Diale Ralesole Abram

MAYOR

Councilor

Mokati-Thebe Fetsang

MEMBERS OF THE EXECUTIVE COMMITTEE

Councilors

Mokati-Thebe Fetsang (Chair Person)

Tshethane D

Nkotswe N

Lesele K

Manganye T R

Mashimo R E

Motshabi C N

Motshengoe S K

Setou A

Tlabyane D R

MEMBERS OF THE COUNCIL

Councilors

1

Ndlovu H

2

Moyo F

3

Mkhandawiri L

4

Nhlapo L

5

Tau D

6

Moloi N

7

Ntshabele S

8

Leoto D

9

Motshengoa P

10

Zitha L

11

Matshereng N

12

Ramokoka A

13

Mothaga R

14

Masilo J

15

Letlape A T

16

Pheto R

17

Manganye B

18

Radiokana M

19

Mekgwe J

20

Tshethane D

21

Vava S

22

Khunou M K

23

Nkotswe N

24

Magodiabo A

25

Pele J

26

Sekao H

27

Makgothi T

28

Lukhele RM

29

Moeng T

30

Monnkgotla C T

31

Monyatsi M

MOSES KOTANE LOCAL MUNICIPALITY

GENERAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

MEMBERS OF THE COUNCIL: PROPORTIONAL

Councillors

Mokgathe M M
Diale R A
Moraape S
Lephoto E
Moruwa E
Lesele K
Motshabi C N
Manganye T R
Motshegoe S K
Maretele J
Motsoenyane Z
Mashimo R E
Nondzaba M
Mashjisi S N
Rakatane B
Matlapeng S S
Ramapotoka G
Matshaba M Z
Rasepae III M
Mngomezulu P
Sekhu S K
Moate L
Selotlego D J
Moatshe G D
Setou A
Thusi B
Mokati-Thebe Fetsang
Tlabyane D R
Deleki N
Tshite L M J

GRADING OF LOCAL AUTHORITY

4

MUNICIPAL MANAGER

Ms S R Dince

ACTING CHIEF FINANCIAL OFFICER

Mr. H L Fourie

AUDITOR

The Auditor General of South Africa

BANKERS

ABSA Bank Rustenburg

REGISTERED OFFICE

Civic Centre
Mogwase
314

POSTAL ADDRESS

Private Bag X 1011
Mogwase
0314

CONTACT INFORMATION

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Fax : (014) 555 6368
Email : municipalmanager@moseskotane.gov.za

APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements set out on pages 3 to 76 were approved by the Municipal Manager on 30 August 2012. It will be presented to the Executive Committee and Council.



MUNICIPAL MANAGER
Ms S R Dince



ACTING CHIEF FINANCIAL OFFICER
Mr. H L Fourie

1. FOREWORD BY THE MAYOR

The council concluded its first financial year in its five year term and it is an honour to provide a short forward to the financial statements for the financial year ended 30 June 2012

The new council immediately engaged in strategic planning to address problems that might still have remained from the past and to plan for the next five years.

The new Budget and Reporting Regulations were implemented with the 2010-2011 and this was the second year that the high level budget format were used very successfully for management purposes and resulted in a surplus of R62,360 million.

The Integrated Development Plan was revised through an extensive public consulting process while the budget was aligned with the IDP.

The following table indicates major Capital Expenditure Projects during the Financial Year which was financed with MIG funds, External Loans, Internal Resources, Transfers and District Municipality funding to the amount of R 89,879,406 million which is an improvement on the previous financial year.

CAPITAL EXPENDITURE

Roads and storm water	R 19,848,472
Sewerage	R 7,526,649
High mast- and Street lighting	R 1,540,344
Municipal Buildings	R 11,861,696
Parks and Sport Facilities	R 5,037,307
Water provision	R 42,277,984
Solid Waste Disposal Site	R 1,786,954
Total	R 89,879,406

Notwithstanding the above mentioned capital spending the backlog in service delivery remains a huge challenge and the council is doing its utmost best to provide services where it is mostly needed.

The Council's Medium Term Revenue and Expenditure Framework for the next three years focus on addressing backlogs in water- and sanitation services while projects such as the new refuse disposal site which was recently completed will provide an environmental friendly service to our community.

Please accept my appreciation for support from the Speaker, Chief Whip, Executive Committee members and all part time Councillors for their assistance in achieving the preset goals.

The two Heads of Departments that were Acting as Municipal Manager during the financial year and their staff must also be commented for the hard work and dedication to achieve the pre-set goals.

Allow me to express a word of welcome to our new Municipal Manager Ms Nono Dince. We wish her a very successful career in our municipality and assure her of my, the Executive Committee and the Councils support in the execution of her duties.



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CLR. F. MOKATI-THEBE

MAYOR AND CHAIRPERSON OF THE EXECUTIVE COMMITTEE

2. REPORT OF THE CHIEF FINANCIAL OFFICER

INTRODUCTION

The Budget and Treasury Office, contrary to previous financial years, could meet all reporting targets. Section 71 and 72 reports was completed and submitted timeously in all reporting periods. The Adjustment Budget was completed and approved on time while all targets were met with the tabling and approval of the 2012-2013 Budget and MTREF. At this point in time all budget related reports and returns has been submitted to National Treasury while the Annual Financial Statements were completed and submitted to the Auditor-General before 31 August 2012.

The filling of core positions such as the Manager: Budget and Reporting was successful in December 2011. Three positions in the expenditure unit and certain positions in SCM remain vacant and should be filled as a matter of urgency.

The accounting system has been upgraded in December 2010 with the implementation of E-Venus. The system meets all accounting requirements and the reconciliations at year end were satisfactory.

The development of the GRAP 17 asset register progressed well and all assets has been unbundled into the various engineering components. The project was finalised in June 2012 and all assets further broken down into manageable components. We believe that the progress made with the asset register will improve the audit outcome of the municipality.

The vSMART integrate asset management system has been installed in the centralised Information Technology new secured building and access provided to staff responsible for the maintenance of the system. Training to users is progressing well while the staff of the Auditor-General will be trained during September 2012.

The Integrated Development Plan was totally revised and aligned with the Budget for 2012-2013 and the MTREF for 2012-2013 / 2014-2015.

The financial year ended with a surplus of R62,360,261

The surplus is due to the increase in the sale of water and the transfer of the conditions met on the Conditional Grants transferred to revenue.

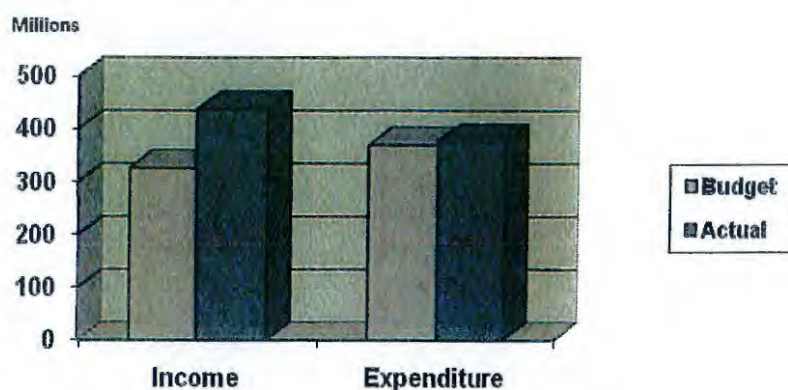
Cost recovery for the year decreased to 68% as the result of the Mogwase community's demand for zero accounts. The Council decided in July 2012 to write off all outstanding water accounts as at 31 May 2012. The condition is that credit control will be applied very strict in future which will hopefully result in the increase of payment levels. The

debt of State- and Provincial Departments decreased with nearly nine million rand and meetings are held regularly to resolve on the last accounts outstanding.

2. REVIEW OF OPERATING RESULTS

Details of the operating results per department and classification of income and expenditure are included in appendices D and E. A graphical presentation of the operating results is shown in the graph below:

OPERATING RESULTS 2011/2012



The overall operating results for the year ending 30 June 2011/2012 are as follows:

Description	Budget 2011/2012 R	Actual 2011/2012 R	Variance Actual/ Budget %	Actual 2010/2011 R
INCOME				
Operating income for the year	325 023 994	437 318 884	-34.55	305 072 384
Closing deficit	43 807 372			14 546 043
	368 831 366	437 318 884		319 616 427
EXPENDITURE				
Operating expenditure for the year	368 831 366	374 958 623	-1.67	319 619 427
Closing surplus		62 360 261		
	368 831 366	437 318 884	-1.67	319 619 427

The overspending on expenditure is due to the additional depreciation, bad debts and the rehabilitation of the Mogwase landfill site.

OPERATING INCOME 2011/2012

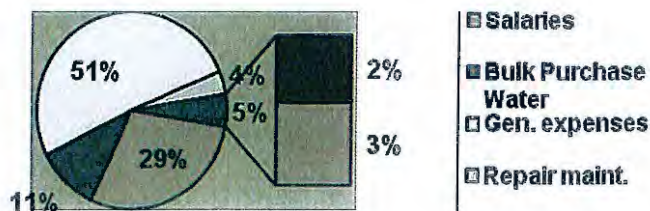
The amount received for Equitable Share also increased from R 179 million to R 203.8 million

The sale of water increased by R 24.4 million.

The increase in the sale of water is due to the implementation of the E-Venus financial system where the information is more reliable than the previous financial system where many information extracted from the system was questionable.

3. OPERATING EXPENDITURE 2011/2012

The graph below indicates the breakdown per main expenditure group before inter departmental charges.



The following shows the expenditure per grouping versus amounts budgeted:

Expenditure	Budget 2011/2012 R	Actual 2011/2012 R	Difference Actual/Budget 2011/2012 R	Actual 2010/2011 R
Remuneration	111 334 666	109 721 338	1 613 328	94 499 435
Debt Impairment	28 401 604	30 602 652	-2 201 048	20 632 033
Collection Costs				
Depreciation	67 993 395	76 684 740	-8 691 345	73 754 677
Repairs and Maintenance	20 670 590	14 001 736	6 668 854	12 283 851
Interest Paid (capital charge)	10 050 679	9 047 946	1 002 733	10 207 201
Contribution to funds	760 000	11 015 082	-10 255 082	7 951 225
Bulk purchases	35 000 000	39 992 456	-4 992 456	31 733 454
Loss on disposal of PPE		1 539	-1 539	
Contracted services	14 200 000	13 876 065	323 935	12 998 447
Contribution Capital expend	0	1 762 556	-1 762 556	844 873
General Expenses	80 420 432	68 252 513	12 167 919	54 711 231
Net expenditure	368 831 366	374 958 623	-6 127 257	319 616 427

SURPLUS FOR THE YEAR

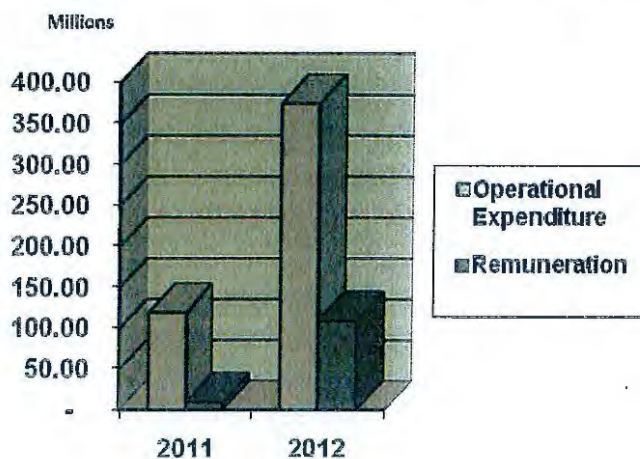
R 62 360 261

The surplus is due to the increase in the sale of water and the transfer of the conditions met on the Municipal Infrastructure Grant to revenue

The increase in the sale of water is due to the implementation of the E-Venus financial system where the information is more reliable than the previous financial system where many information extracted from the system was questionable.

The variation between the budgeted amount and the actual expenditure is due to saving on general expenditure items and the additional provisions for depreciation, debt impairment and the rehabilitation of the Mogwase landfill site.

3.1 REMUNERATION vs. OPERATING EXPENDITURE



The increase in remuneration expenditure from the 2010/2011 financial year to the 2011/2012 financial year is due to salary increases and disparities that was corrected.

The saving on expenditure of R 1.6 million on remuneration compared to the budget can be attributed to savings realized on vacancies not filled as well as vacancies filled at a later stage during the financial year.

The upper limits of salaries, allowances and benefits of different members of the council have been paid in terms of the remuneration of Public Bearers Act, 1988 (Act no. 20 of 1998) as promulgated in the Government gazette No 34869 dated 14 December 2011.

The salaries of the employees of the council has been paid in terms of the stipulations as contained in the salary and wages collective agreement of the South African Local Government Bargaining council for the 2011/2012 financial year.

3.2 GENERAL EXPENDITURE

SAVINGS

The following savings mainly contributed to the variation in budgeted and actual expenditure:

- Repair and Maintenance R 6,7 million

Various items were overspent due to the under provision for expenditure on the budget:

- Bulk purchases R 4.9 million

The following increases in expenditure contribute to the variation in actual expenditure during the 2010/2011 and 2011/2012 financial years:

- Audit Fees R 0,8million
- Depreciation R 2,9 million
- Electricity for Street Lights R3,0 million
- Legal Fees R4,0 million
- Printing and Stationery R0,9 million
- Provision for Debt Impairment R2,2 million
- Provision for Mogwase landfill site R8,7 million

3.3 CAPITAL CHARGES

An amount of R 10,05 million was provided for the servicing of existing external loans as well as the raising of new loans.

3.4 REPAIR AND MAINTENANCE

The saving on repair and maintenance is due to the lack of capacity in the Engineering Department.

3.5 CONTRIBUTIONS

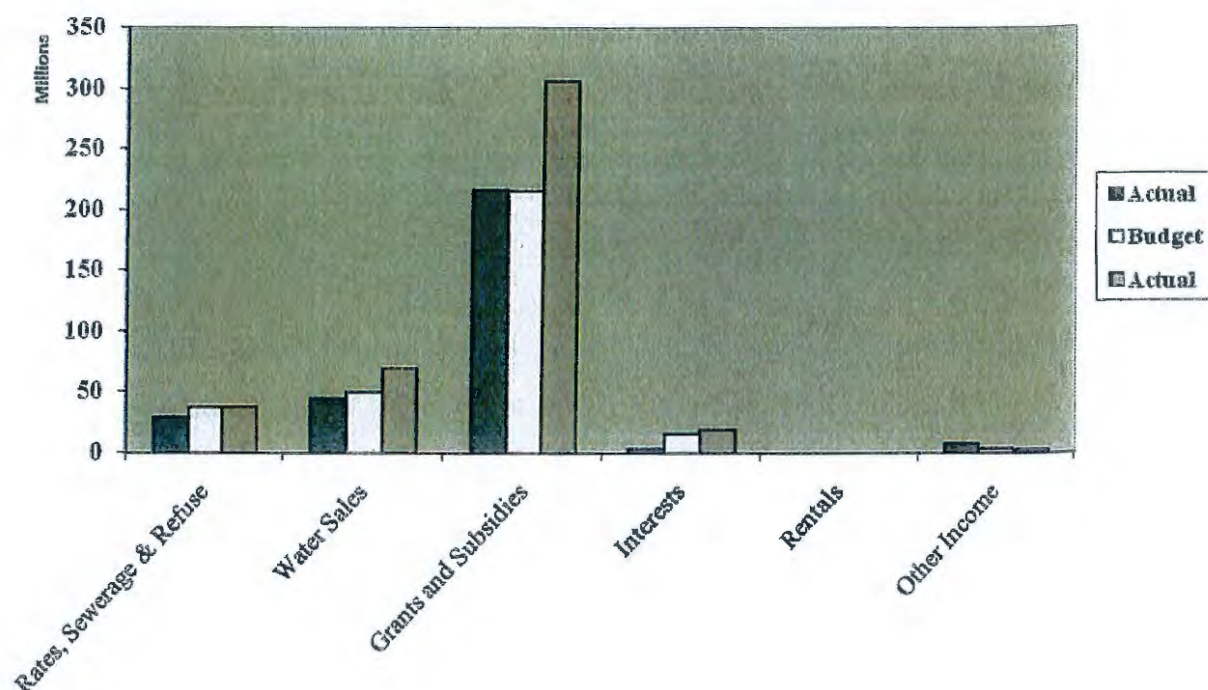
Provisions made for expenditure towards debt impairment and leave liabilities which were R 30.6 million and R 13,3 million respectively.

3.6 LESS: CHARGED OUT

The amount charged out represents administration cost and has no influence on the total expenditure

4. OPERATING INCOME

The following graph is a presentation of the different income types.



Income per income category is as follows:

INCOME	Budget 2011/2012 R'	Actual 2011/2012 R'	Variance 2011/2012		Actual 2010/2011 R'
			R'	%	
Assessment Rates, Sewerage and Refuse	38 279 696	37 914 619	-365 077	-0.95	30 311 282
Water Sales	50 600 000	69 520 289	18 920 289	1.38	45 062 869
Grants and subsidies	215 833 058	306 739 210	90 906 152	42.1	217 421 387
Interests	16 500 000	20 068 054	3 568 054	21.6	10 885 304
Other income	3 811 240	3 076 712	-734 528	-19.3	1 419 542
Totals	325 023 994	437 318 884	-112 294 890	34.55	305 070 384

4.1 USER LEVIED CHARGES:

ASSESSMENT RATES

The new Property Rates Act has been implemented as from 1 July 2008 which determined that property rate rates will be calculated on the improved value and no longer on the land and improvements respectively

OTHER USER CHARGES

Description	Budget 2011/2012 R'	Actual 2011/2012 R'	Variance 2011/2012 %	Actual 2010/2011 R'
Assessment rates	32 584 400	31 894 887	2.28%	28 478 669
Water Sales	50 600 000	69 520 290	37.4%	45 062 869
Sewerage charges	948 096	2 282 306	-240.73%	1 101 129
Refuse removal	4 747 200	3 737 426	21.3%	731 484
Totals	88 879 696	107 434 909	20.88%	75 374 151

4.2 TARIFF CHARGES LEVIED:

A new tariff structure for property rates has been implemented as from 1 July 2011.

4.3 GRANTS AND SUBSIDIES:

Description	2011/2012		2010/2011	
	Budget R'	Actual R'	Budget R'	Actual R'
Equitable Share	203 765 000	203 756 000	179 214 000	179 213 533
National grants	11 868 058	89 338 788	9 448 526	38 207 853
Provincial grants		13 244 422	397 000	
District Municipality	200 000	400 000		
Total	215 833 058	306 739 210	188 662 526	217 421 386

The variation in the actual amounts between the 2010/2011 and 2011/2012 financial years are due to the increase of the equitable share and the transfer of the Conditional Grants met to revenue.

4.4 TRADING SERVICES

The total water services operation was transferred on 1 July 2006 and the trading results are indicated under user charges.

5. MUNICIPAL DEBT

At the end of the financial year the amounts borrowed and outstanding were as follow:

Type of debt	2011/2012 R'	2010/2011 R'
Long-term loans	89 145 103	88 530 690
External funds: Total	89 145 103	88 530 690

6. ACCUMULATED FUNDS, RESERVES AND PROVISIONS

Detail of the reserves and provisions are stated in Notes 3 and 9.

Description	2011/2012 R'	2010/2011 R'
Provision for leave	13 305 888	9 216 275
Provision for Debt Impairment	90 618 778	60 344 986
Accumulated surplus/deficit	742 936 776	649 026 658

The increase in the Accumulated Surplus is due to the transfer of the Government Grant Reserve in terms of GRAP to the Accumulated Surplus Account.

7. DEBTORS

Details regarding the debtors are provided in Notes 10

The consumer debtors increased by R57 million.

The credit control measures for the recovering of outstanding debts will be strictly implemented

<i>Description</i>	2011/2012 R'	2010/2011 R'	2009/2010 R'
Debits levied	107 434 908	75 374 151	74 653 922
Balance on 1 July	112 655 114	95 641 853	76 089 159
Balance on 30 June	169 899 248	112 655 114	95 641 853
Average balance	141 277 181	104 148 484	85 865 506

8. CAPITAL EXPENDITURE AND FINANCING

As far as the capital expenditure is concerned, Council addressed the backlog in certain areas without neglecting the current assets. Backlogs in infrastructure were given a very high priority during the approval of the capital- and operating expenditure. In addition, the Council adhered to guidelines that National Treasury had set for capital expenditure while capital expenditure program was IDP driven. The expenditure incurred during the year in respect of fixed assets, amounted to R 94 631 300.

The table shows the distribution of the fixed assets according to the type of asset:

Type of Asset	Original Budget 2011/2012 R'	Actual 2011/2012 R'	Actual 2010/2011 R'
Land and Buildings	9 200 000	4 585 035	2 659 588
Infrastructure	152 683 784	72 980 403	31 143 833
Community Assets	49 032 059	12 313 968	5 971 155
Other Assets		4 751 894	1 237 813
Land Transfer	3 300 000		
Total	214 215 843	94 631 300	41 012 389

The above-mentioned fixed assets were financed from the following sources:

Type of finance	Budget 2011/2012 R'	Actual 2011/2012 R'	Actual 2010/2011 R'
External Loans	15 000 000	4 308 804	5 859 790
Capital Reserve Fund			
Grants	196 215 843	87 093 627	32 794 750
Own Revenue	3 000 000	3 228 869	2 357 848
General Capital			
	214 215 843	94 631 300	41 012 388

SUBSEQUENT EVENTS

9. INVESTMENTS

External investments on 30 June 2012 amounted to R 132 491 086 compared to R77 429 743 for 2010/2011.

INVESTMENTS AS AT 30 JUNE 2011/2012	
INSTITUTION	AMOUNT
ABSA Fixed Deposit-12 Months	211 425
ABSA Call Accounts	132 279 661
Total Investments	132 491 086

10. HOUSING

The council is acting as an agent for the North West Province for the building of RDP houses.

The property on which the houses are built belongs to the Traditional Authorities in that area and not to the council.

The houses will also be registered in the name of the beneficiary whom is receiving a subsidy from Provincial Government.

The money received from the Northwest Province is paid into a separate bank account from where the suppliers are being paid.

EXPRESSION OF APPRECIATION

I am grateful to the Mayor, the Executive Committee, Municipal Manager, Councilors and Departmental Managers for the support they have given to the department during the 2011/2012 financial year. A special word of appreciation is extended to the team of the Budget and Treasury Office for the months of hard work, sacrifices and dedicated efforts during the financial year to enable us to finalize these financial statements. A special word of thanks to the HOU's: Expenditure and Revenue for their dedication and countless days and nights spent to achieve the goals. To the Managers that came in after hours to help with the final reconciliations please accept our appreciation.



Mr. H.L. Fourie
Acting Chief Financial Officer
Moses Kotane Local Municipality
30 August 2012

MOSES KOTANE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

NET ASSETS AND LIABILITIES	Notes	2012 R	2011 R
NET ASSETS		742,936,776	649,026,658
Accumulated Surplus		742,936,776	649,026,658
NON - CURRENT LIABILITIES		86,921,299	77,502,927
Long - Term Liabilities	1	82,361,615	77,202,927
Non - Current Provisions	2	4,559,684	300,000
CURRENT LIABILITIES		158,667,885	128,222,500
Provisions	2	13,305,888	9,216,275
Creditors	3	29,749,630	29,451,909
Unspent Conditional Grants and Receipts	4	93,492,095	75,436,442
VAT	5	15,336,784	2,790,111
Current Portion of Long- Term Liabilities	1	6,783,488	11,327,763
TOTAL NETT ASSETS AND LIABILITIES		988,525,960	854,752,085
ASSETS			
NON - CURRENT ASSETS		759,478,335	693,325,946
Property, Plant and Equipment	6	759,266,910	693,127,425
Investment	7	211,425	198,521
CURRENT ASSETS		229,047,625	161,426,139
Inventory	8	14,355,718	14,670,848
Consumer Debtors	9-10	79,280,470	52,310,128
Other Debtors	11	1,267,508	8,458,648
Cash and cash equivalents	30	134,143,929	85,986,515
TOTAL ASSETS		988,525,960	854,752,085

MOSES KOTANE LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 R	2011 R
REVENUE			
Revenue from Non-Exchange Transactions			
Property Rates	14	31,894,887	28,478,669
Fines	App E	1,130,660	0
Government Grants and Subsidies	16	306,739,210	217,421,387
Revenue from Exchange Transactions			
Service Charges	15	75,540,021	46,895,482
Sales of Housing Stands	App E	420,289	162,809
Interest earned - external investment	22	6,661,310	3,669,005
Interest earned - outstanding debtors	22	13,208,299	6,607,814
Interest earned - Primary Bank Account	22	198,445	378,485
Commission Received	App E	80,195	59,509
Other Income	17	1,445,568	1,197,224
TOTAL REVENUE		437,318,884	305,070,384
EXPENDITURE			
Employee related costs	18	93,939,934	81,160,150
Remuneration of Councilors	20	15,781,404	13,339,285
Debt Impairment	10	30,602,652	20,632,033
Depreciation and Amortization	31	75,877,615	73,754,677
Asset Impairment	App B	807,125	0
Repairs and Maintenance		14,001,736	12,283,851
Finance Costs	21	9,047,946	10,207,201
Bulk Purchases Water	23	39,992,456	31,733,454
Contracted services	24	13,876,065	12,998,447
Contribution to Funds		11,015,082	7,951,225
General Expenses	26	68,252,513	54,711,231
Contribution to Capital Expenditure		1,762,556	844,873
Loss on disposal of property, plant and equipment		1,539	0
TOTAL EXPENDITURE		374,958,623	318,616,427
SURPLUS (DEFICIT) FOR THE YEAR		62,360,261	-14,546,043

Refer to Appendix E for the comparison with the approved budget

MOSES KOTANE LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	Accumulation Surplus / (Deficit) R	Total R
2011		
Balance at 30 June 2011	705,963,706	705,963,706
Correction of error (refer to note 27)	-40,845,302	-40,845,302
Prior period error (refer to note 28)	-14,166,950	-14,166,950
Transfers from Government Grant Reserve	12,621,247	0
Restated balance	663,572,701	663,572,701
Surplus /Deficit for the year	-14,546,043	-14,546,043
Balance at 30 June 2011	649,026,658	649,026,658
2012		
Restated balance	649,026,658	649,026,658
Surplus / (Deficit) for the year	62,360,261	62,360,261
Surplus cash used to purchase PPE	3,440,371	3,440,371
Transfers from Government Grant Reserve	46,942,110	46,942,110
Other movements	-18,832,624	-18,832,624
Balance at 30 June 2012	742,936,776	742,936,776

MOSES KOTANE LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 R	2011 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Cash receipts from ratepayers, government and other		415,528,820	273,448,592
Payments			
Cash paid to suppliers and employees		-267,717,116	-178,650,571
		147,811,704	94,798,021
Interest received	22	20,088,054	10,476,819
Interest paid	21	-9,047,946	-10,207,201
Correction of error - restatement of VAT		-4,515,526	0
NET CASH FLOW FROM OPERATION ACTIVITIES		154,316,286	95,057,639
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	-94,631,300	-41,012,368
Proceeds on disposal of property, plant and equipment		85,106	0
Loss on disposal of property, plant and equipment		-652,284	0
Increase in non- current investment		-12,904	-14,489
Changes in PPE as result of GRAP 17 compliance		-11,561,903	7,184,245
NET CASH FLOW FROM INVESTING ACTIVITIES		-106,773,285	-33,842,632
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/ (decrease) in long term liabilities		614,413	-11,459,671
Correction of error		0	10,807,282
NET CASH FLOW FROM FINANCING ACTIVITIES		614,413	-652,389
NET DECREASE IN CASH AND CASH EQUIPMENT		48,157,414	60,572,618
Cash and cash equivalents at the beginning of the year		85,986,515	25,413,897
Cash and cash equivalents at the end of the year		134,143,929	85,986,515

**MOSES KOTANE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012
ACCOUNTING POLICIES**

1 Presentation of annual financial statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognized Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Basis of preparation

The annual financial statements have been prepared on an actual basis of accounting and are in accordance with the historical cost basis unless otherwise stated. Under this basis the effects of transactions and other events are recognized when they occur and are recorded in the financial statements within the period to which they related. Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by an accounting standard.

The annual financial statements have been prepared in accordance with the Standards of General Recognized Accounting Practiced (GRAP) prescribed by the Minister of Finance in terms of General Notices 991 of 2005 and General Notice 516 of 2008.

These standards are summarized as follows:

GRAP 1:	Presentation of financial statements
GRAP 2:	Cash flow statements
GRAP 3:	Accounting policies, changes in accounting estimates and errors
GRAP 4:	The effects of changes in foreign exchange transactions
GRAP 5:	Borrowing cost
GRAP 6:	Consolidated and separate financial statements
GRAP 7:	Investments in associates
GRAP 8:	Interest in joint ventures
GRAP 9:	Revenue from exchange transactions
GRAP 10:	Financial reporting in hyperinflationary economies
GRAP 11:	Construction contracts
GRAP 12:	Inventories
GRAP 13:	Leases
GRAP 14:	Events after reporting date
GRAP 16:	Investment property

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1.1 Basis of preparation (continued)

GRAP 17:	Property, plant and equipment
GRAP 19:	Provisions, contingent liabilities and contingent assets
GRAP 100:	Non-current assets held for sale and discontinued operations
GRAP 101:	Agricultural
GRAP 102:	Intangible assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and other applicable disclosures have been based on the South African Statements of General Accepted Accounting Practices (SA GAAP) including any other interpretations of such statements issued by the Accounting Practice Board.

Accounting framework for 2011/2012

There are no general exemptions from specific standards or aspects of account standards and the Municipality comply fully with the accounting framework set out in Directive 5 of the Accounting Standards Board.

Consideration was given to Accounting Standards approved but not yet effected

A number of new standards are not yet effective for the year ended 30 June 2012, and are presented below:

GRAP 21:	Impairment of non-cash -generating assets
GRAP 23:	Revenue from non-exchange transactions (taxes and transfers)
GRAP 25:	Employee related cost
GRAP 26:	Impairment of cash -generating assets
GRAP 103:	Heritage assets
GRAP 104:	Financial instruments

All the above standards where applicable, will be complied with in the financial statements once the effective date has been reached.

Preliminary investigations indicated that the impact of the standards on the financial statements will be minimal, except for the application of GRAP 25' Employee benefits and additional disclosures.

IGRAP 1 has also been considered, but since the Revenue from Exchange Transactions constitutes an insignificant contribution to the revenue of the municipality, this standard will have a negligible effect on the financial statements.

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1.1 Basis of preparation (continued)

A summary of the significant accounting policies, which have been consistently applied, is disclosed below:

The following GRAP standards have been earlier adopted and implemented

- GRAP 18: Segment reporting
- GRAP 24: Presentation of budget information
- GRAP 25: Employee related cost

1.2 Going Concern

These annual financial statements have been prepared on a going concern basis.

1.3 Significant judgments and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment are inherent in the formation of estimates.

Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgments include:

Trade receivables / Trade and other receivables

The municipality assesses its trade receivables and loans and receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Fair value estimation

The carrying values of trade receivables and payables are assumed to approximate their fair values.

Impairment testing

The recoverable (service) amounts of individual assets and cash-generating units have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

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1.3 Significant judgments and sources of estimation uncertainty (continued)

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value-in-use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors together with economic factors. Management used fair value less cost to sell to determine the recoverable (service) amount of tangible assets with an indefinite useful life.

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at management's best estimate of the expenditure required to settle the obligation. Additional disclosure of these estimates of provisions are included in note 2.1 - Provisions.

Useful lives of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Provision for impairment

On receivables an impairment loss is recognized in surplus and deficit when there is objective evidence that it is impaired. The provision for impairment is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognized as an asset when:

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1.4 Property, plant and equipment (continued)

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an item of property, plant and equipment is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired non-monetary asset's fair value is not determinable, its deemed cost is the carrying amount of the asset given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, or to replace a part of, or service it. If a replacement cost is recognized in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognized.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the

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1.4 Property, plant and equipment (continued)

cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognized.

Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses.

After recognition as an asset, an item of property, plant and equipment (Land) whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Infinite
Buildings	10 - 50 years
Infrastructure assets	15 - 100 years
Community assets	7 - 100 years
Heritage assets	Indefinite
Other items of PPE	2 - 10 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment held under finance lease are depreciated over their expected useful lives on the same basis as owned items of property, plant and equipment or, where shorter, the term of the relevant lease.

Items of property, plant and equipment are derecognized on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Such difference is recognized in surplus or deficit when the item is derecognized.

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1.4 Property, plant and equipment (continued)

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognized in surplus or deficit when the compensation becomes receivable.

1.5 Financial instruments

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The municipality recognises financial assets using trade date accounting.

Initial measurement

The municipality measures a financial asset and financial liability initially at its fair value, plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments designated as at fair value through surplus or deficit.
- Financial instruments held for trading.
- Financial instruments available for sale.
- Financial instruments held to maturity.
- Financial instruments as loans and receivables.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, and reference to the current fair value of another instrument that is substantially the same. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as

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1.5 Financial instruments (continued)

little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments.

Financial Assets - Classification

A financial asset is any asset that is a cash or contractual right to receive cash

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto.

Debtors

Debtors are recognized at fair value and subsequently measured at amortized cost using the effective interest rate method less provision for impairment. A provision for impairment of debtors is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the debtors.

The provision is made in accordance with IAS 39:64 whereby the recoverability of debtors is assessed individually and then collectively after that assets with similar credit risks characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in a group.

Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate.

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period.

Government accounts are not provided for as such accounts are regarded as receivable.

Cash and cash equivalents

These are initially and subsequently recorded at fair value. For cash flow purposes, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. These are subject to an insignificant risk of changes in value.

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1.5 Financial instruments (continued)

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- a combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. The instrument is then reclassified from amortized cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognized in surplus or deficit.

For financial assets and financial liabilities measured at amortized cost or cost, a gain or loss is recognized in surplus or deficit when the financial asset or financial liability is derecognized or impaired, or through the amortization process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortized cost:

If there is objective evidence that an impairment loss on financial assets measured at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognized in surplus or deficit.

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1.5 Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed directly OR by adjusting the allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in surplus or deficit.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognized in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Derecognition

Financial assets

The entity derecognizes financial assets using trade date accounting.

The entity derecognizes a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognize the asset; and
 - recognize separately any rights and obligations created or retained in the transfer

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognized and derecognized is recognized in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognized in surplus or deficit.

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1.5 Financial instruments (continued)

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognized as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognized as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Creditors

Trade payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognized as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

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1.6 Leases (continued)

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability.

The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. The difference between the amounts recognized as an expense and the contractual payments are recognized as an operating lease asset or liability.

Any contingent rent is recognized separately as an expense when paid or payable and are not straight-lined over the lease term.

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realizable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realizable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the

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1.7 Inventories (continued)

individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognized as an expense in the period in which the related revenue is recognized. If there is no related revenue, the expenses are recognized when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realizable value or current replacement cost and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value or current replacement cost, are recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

Unsold properties are measured fair value at date of valuation roll

1.8 Impairment of assets

1.8.1 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

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1.8 Impairment of assets (continued)

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognized during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognized immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortization) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Recognition and measurement (cash-generating unit)

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used

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1.8 Impairment of assets (continued)

internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognized for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its

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1.8 Impairment of assets (continued)

recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.8.2 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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1.8.2 Impairment of non-cash-generating assets (continued)

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognized during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognized immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

After the recognition of an impairment loss, the depreciation (amortization) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining

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1.8.2 Impairment of non-cash-generating assets (continued)

useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognized immediately in surplus or deficit.

After a reversal of an impairment loss is recognized, the depreciation (amortization) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.9 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognized in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognized as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognized as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

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1.9 Employee benefits (continued)

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.10 Provisions and contingencies

Provisions are recognized when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required settling a provision is expected to be reimbursed by another party, the reimbursement is recognized when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognized for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognized as an interest expense.

A provision is used only for expenditures for which the provision was originally recognized.

Provisions are not recognized for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognized and measured as a provision.

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1.11 Revenue

1.11.1 Revenue from exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognized by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognized on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the

**MOSES KOTANE LOCAL MUNICIPALITY
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1.11.1 Revenue from exchange transactions (continued)

significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

Service revenue is recognized by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Service revenue relating to water are recognized based on consumption. Meters are read on a monthly basis and are recognized as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognized as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognized as revenue in the invoicing period.

Service revenue relating to refuse removal are recognized on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service revenue relating to sewerage and sanitation are based on the number of sewerage connections on each developed property using tariffs approved from Council and are levied monthly.

Service revenue from the application of the approved tariff of charge is recognized when the relevant service is rendered by applying the relevant gazetted tariff.

Revenue from public contributions are recognized when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received, but the municipality has not met the condition, a liability is recognized.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognized when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Interest is recognized, in surplus or deficit, using the effective interest rate method.

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1.11.2 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Fines constitute spot fines and summonses and are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Recognition

An inflow of resources from a non-exchange transaction recognized as an asset is recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow.

As the municipality satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it reduces the carrying amount of the liability recognized and recognizes an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognized by the municipality.

When, as a result of a non-exchange transaction, the municipality recognizes an asset, it also recognizes revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognize a liability. Where a liability is required to be recognized it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognized

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1.11.2 Revenue from non-exchange transactions (continued)

as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognized as revenue.

Transfers

Apart from services in kind, which are not recognized, the municipality recognizes an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognized as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fines will not be revenue of the collecting entity.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognized when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognized are processed or additional rates revenue is recognized.

Gifts and donations, including goods and services in-kind

Gifts and donations, including goods in-kind, are recognized as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind are not recognized.

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1.11.2 Revenue from non-exchange transactions (continued)

Recovery of unauthorized, irregular, fruitless and wasteful expenditure

Revenue from recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognized when the recovery thereof from the responsible councilors or officials is virtually certain.

Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognized as revenue to the extent that the municipality has complied with any of the conditions embodied in the agreement. To the extent that the conditions have not been met a liability is recognized.

1.12 Investment income

Investment income is recognized on a time-proportion basis using the effective interest method.

1.13 Borrowing costs

The municipality capitalises borrowing costs incurred that are directly attributable to the Acquisition construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 April 2011, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 April 2011) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2012 in accordance with the requirements of GRAP 5. To the extent that an entity borrows funds generally and uses them for the purposes of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset.

The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

1.14 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

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1.15 Unauthorized expenditure

Unauthorized expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorized expenditure is recognized as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.16 Irregular expenditure

Irregular expenditure as defined in section 125 of the MFMA is expenditure incurred in contravention of, or that is not in accordance with:

- a requirement of the PFMA; or
- a requirement of the State Tender Board Act (Act No.86 of 1986), or any regulations made in terms of the Act; or
- a requirement in any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalization of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, the note to the financial statements must be updated to reflect this.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or

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1.16 Irregular expenditure (continued)

accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements.

The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognized as an Expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Budget information

A reconciliation between the statement of financial performance and the budget has been included in the annual financial statements, as the recommended disclosure as determined by National Treasury, as the annual financial statements and the budget are not on the same basis of accounting. Refer to Appendix E.

1.19 Presentation of currency

These annual financial statements are presented in South African Rand.

1.20 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.21 Related parties

Individuals as well as their close family members, and/or entities are related parties if one of the party has the ability, directly or indirectly to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

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1.22 Government Grant Reserve

When items of property, plant & equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance. When such items of property, plant & equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant & equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

When an item of property, plant & equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

1.23 Capital Commitments

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognized in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.

Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Contract that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.

Other commitments for contracts be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

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1.24 TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

MOSES KOTANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
1. Long Term Liabilities			
Annuity Loans	App A	89,145,103	88,530,690
Sub- total		89,145,103	88,530,690
Less : Current portion transferred to current liabilities		6,783,488	11,327,763
Total External Loans		<u>82,361,615</u>	<u>77,202,927</u>
Refer to Appendix A for more detail on long- term liabilities			
2. Provisions			
Accumulated leave of employees of the council		13,305,888	9,216,275
Landfill Site short term portion		4,559,684	300,000
Total Provisions		<u>17,865,572</u>	<u>9,516,275</u>
Landfill Site long term portion		12,010,511	
The provision for accumulated leave of employees of the council is based on the actual leave days available at the reporting date calculated on the annual salary of the relevant employees			
The provision for long service awards is determined according to the stipulations of the SALGBC			
The provision for the Mogwase landfill site is determined by the Engineer allocated to the municipality from DBSA to assist the Infrastructure department			
3. Creditors			
Trade creditors		14,594,856	14,406,749
Payments received in advance		4,221,147	3,358,073
Sundry Creditors Suspense		5,913,829	10,000,295
Housing		554,396	1,686,792
Retention		4,465,402	
Total Creditors		<u>29,749,630</u>	<u>29,451,909</u>

MOSES KOTANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

	2012 R	2011 R
4. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
4.1 Conditional Grants from other spheres of Government		
MIG Grants	91,698,192	71,599,955
Drought Relieve	439,487	439,487
Expanded Public Works Programme	483,581	397,000
Provincial Infrastructure Grant	146,524	3,000,000
Mogwase Library	495,248	0
Mabesekraal Library	228,065	0
Total Contribution Grants and Receipts	93,492,095	75,436,442

See Note 16 for reconciliation of grants from other spheres of government.

5. VAT

VAT Payable	15,336,784	2,790,111
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The opening balance has been adjusted due to the non payment of claims submitted to SARS

VAT is payable on the receipt basis. Only once payment is received from debtors VAT is paid over to SARS

6. Property, Plant and Equipment

30 JUNE 2012

Reconciliation of Carrying Value	Land Assets R	Buildings Assets R	Infrastructure Assets R	Community Assets R	Heritage Assets R	Other Assets R	Total R
Carrying value at 1 July 2011	8,578,049	39,357,537	590,314,480	42,850,104	14,000	12,013,255	693,127,425
Cost	8,578,049	43,083,874	1,102,054,725	56,908,799	14,000	44,732,313	1,255,469,825
Accumulated depreciation		-3,705,837	-511,740,240	-14,148,695	0	-32,719,058	-602,342,400
Acquisitions		84,109	42,195,539	3,884,494		4,751,894	50,916,036
Capital under Construction		4,500,926	30,784,864	8,429,474			43,715,264
Re Classification of Cost							
Disposals on assets						-777,499	-777,499
Adjustment Grap 17 Implementation cost		662,348	44,447,141	2,658,513			47,768,000
Adjustment Grap 17 Implementation		-26,494	-3,509,776	-219,860			-3,756,130
Depreciation on disposals						690,854	690,854
Depreciation	0	-1,724,397	-62,669,044	-3,945,499		-4,116,067	-72,455,007
Prior period error		-140,991	1,020,782	-34,699			845,092
Correction of error on cost							
Re Classification of Depreciation							
Impairment		-508,682		-298,443			-807,125
Prior period error							0
Accumulated depreciation		-5,628,319	-576,898,278	-18,346,723		-36,144,271	-637,017,591
Carrying values at 30 June 2012	8,578,049	42,204,354	642,583,986	53,324,084	14,000	12,562,437	759,266,910
Cost	8,578,049	48,241,305	1,215,482,254	71,205,250	14,000	48,706,708	1,397,081,826
Impairment		-508,682		-298,443			-807,125
Accumulated depreciation		-5,628,319	-576,898,278	-18,346,723	0	-36,144,271	-637,017,591

The restated balance of land assets (Community Assets) is due to the correction of cost where the valuation roll was used for the 2008 financial year instead of the 2005 valuation roll when the properties were transferred to the municipality. The opening balance was restated with the amount of R5 690 866.

The opening balance of the cost of buildings was restated with the amount of R1 129 124 due to the implementation of GRAP 17. The opening balance of the cost of infrastructure assets was restated with R7 851 688 and depreciation with R3 713 591 due to the implementation of GRAP 17. The opening balance of the cost of community assets was restated with R3925 632 and depreciation with R975 568 due to the implementation of GRAP 17.

MOSES KOTANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

6. Property, Plant and Equipment(Continued)

30 JUNE 2010

Reconciliation of Carrying Value

	Land Assets	Buildings Assets	Infrastructure Assets	Community Assets	Heritage Assets	Other Assets	Total
	R		R	R	R	R	R
Carrying value at 1 July 2010	20,172,924	35,446,740	626,749,037	44,630,854	14,000	17,270,972	726,111,603
Cost		41,563,510	1,078,762,575	51,418,246	14,000	43,494,500	1,215,252,831
Accumulated depreciation		-6,116,770	-450,013,538	-6,787,392	0	-26,223,528	-489,141,226
Acquisitions		2,659,588	31,143,833	5,971,155	0	1,237,813	41,012,389
Re Classification of Cost				-92,632			
Depreciation		-1,392,720	-65,440,292	-1,906,370	0	-6,495,530	-75,234,912
Prior period error	-11,594,875	-2,655,439	3,713,580	975,589			-9,561,135
Prior period error Assets		-1,129,124	-7,851,688	-300,000			
Re Classification of Depreciation		6,428,492		-6,428,492			
Accumulated depreciation	0	-10,164,929	-515,453,830	-8,693,762	0	-32,719,058	-573,937,275
Carrying values at 30 June 2011	8,578,049	39,357,537	590,314,480	42,850,104	14,000	12,013,255	693,127,425
Cost	8,578,049	43,063,974	1,102,054,720	56,996,769	14,000	44,732,313	1,255,469,825
Accumulated depreciation	0	-3,736,437	-511,740,240	-14,146,665	0	-32,719,058	-562,342,400

MOSES KOTANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

	2012 R	2011 R	
7. Investments			
Financial Instruments			
ABSA Fixed Deposit	211,425	198,521	
	<u>211,425</u>	<u>198,521</u>	
An amount of R107 700 of the investment is ceded to Eskom serving as a electricity deposit at the Civic Centre			
8. Inventory			
Maintenance Materials - at cost	2,779,030	3,103,588	
Water at Cost	60,088	50,660	
Unsold Properties held for resale	11,516,600	11,516,600	
Total Inventory	<u>14,355,718</u>	<u>14,670,848</u>	
The restated balance of the unsold properties held for resale is due to the correction of cost where the valuation roll was used for the 2008 financial year instead of the 2005 valuation roll when the properties were transferred to the municipality			
9. Consumer Debtors			
	Gross Balances R	Provision for Debt Impairment R	Net Balance R
As at June 2012			
Service debtors			
Rates	49,186,534	28,296,658	20,889,876
Water	104,285,888	55,291,873	48,993,815
Refuse	8,407,708	4,527,468	3,880,240
Sanitation	4,508,275	2,502,779	2,005,496
Water consumption from last reading until 30 June 2012	3,531,043		3,531,043
Total	<u>169,899,248</u>	<u>90,618,778</u>	<u>79,260,470</u>

MOSES KOTANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

10. Consumer Debtors	Gross Balances R	Provision for Debt Impairment R	Net Balance R
As at June 2011			
Service debtors	112,855,114	-60,344,986	52,310,128
Total	112,855,114	-60,344,986	52,310,128

(Rates, Water, and Sewerage) : Ageing

	2012 R	2011 R
Current(0-30days)	15,741,867	10,956,000
31 -60 DAYS	8,108,200	5,644,941
61-90 Days	6,111,348	4,494,963
91-120 Days	139,939,833	91,559,210
Total	169,901,248	112,655,114

Summary of Debtors by Customer Classification

	Consumers R	Industrial/ Commercial R	National and Provincial Government R
30 June 2011			
Current 0-30 Days	5,986,579	4,653,639	315,782
31 -60 Days	3,862,314	1,584,269	198,368
61-90 Days	2,941,067	1,352,393	201,503
91-120 Days	51,324,721	31,755,776	8,478,713
Sub Total	64,114,681	39,346,067	9,194,366

Less - Provision for debt impairment

-60,344,986

Total debtors by customer classification

3,769,695	39,346,067	9,194,366
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Summary of Debtors by Customer Classification

	Consumers R	Industrial/ Commercial R	National and Provincial Government R
30 June 2012			
Current(0-30days)	5,284,512	10,082,769	374,586
31 -60 DAYS	4,773,334	3,177,638	155,228
61-90 Days	4,450,320	1,507,465	153,563
91-120 Days	90,996,458	43,403,924	5,539,451
Total	105,504,624	58,171,796	6,222,828
Less - Provision for debt impairment	-77,818,000	-12,800,778	
Total debtors by customer classification	27,686,624	45,371,018	6,222,828

Reconciliation of provision for impairment

	2012 R	2011 R
Balance at the beginning of the year	60,344,986	39,741,083
Contribution to provision	30,602,652	20,603,903
Bad debts written off against provision	-328,860	
Reversal of provision		
Balance at the end of the year	90,618,778	60,344,986

11. Other Debtors

Sundry Debtors	469,588	468,467
Suspense Debtors	438,064	7,514,829
Sale of stands Unit 5 Mogwase	361,856	361,856
Sale of stands	0	113,396
Total Other Debtors	1,269,508	8,458,148

12. Call Investment Deposits

ABSA Call Account Moses Kotane Local Municipality	90 5777 9477	25,618,114	5,851,105
ABSA Call Account MIG	40 6677 8588	92,627,895	67,458,797
ABSA Call Account Extension of the Civic Centre	40 6723 1195	12,459,058	3,288,538
ABSA Call Account Water and Sanitation Project	40 7270 1220	1,566,199	624,716
ABSA Call Account Housing Projects	40 6782 2645	8,395	8,066
Total Call Investments		132,279,661	77,231,222

MOSES KOTANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

	2012 R	2011 R
13. Bank, Cash and Overdraft Facilities		
The municipality has the following bank accounts		
Current Account (Primary Bank Account)		
ABSA Rustenburg Branch Account Number: 405 041 4471		
Cash book balance at beginning of year	8,337,733	17,213,899
Cash book balance at end of year	1,065,017	8,337,733
Bank Statement balance at beginning of year	4,345,267	13,246,235
Bank Statement balance at end of year	1,579,795	4,345,267
Housing Account Account Number: 405 921 9109		
Cash book balance at beginning of year	130,366	439,782
Cash book balance at end of year	552,944	130,366
Bank Statement balance at beginning of year	130,366	439,782
Bank Statement balance at end of year	552,944	130,366
Traffic Account Account Number: 407 011 8019		
Cash book balance at beginning of year	281,992	33,090
Cash book balance at end of year	243,997	281,992
Bank Statement balance at beginning of year	281,992	33,090
Bank Statement balance at end of year	243,997	281,992
Petty Cash	2,310	5,202
Total Bank Balance	<u><u>1,864,268</u></u>	<u><u>8,755,293</u></u>

Securities Held at ABSA

General and special notarial bond dated 10/12/2012 on
movable equipment
Unlimited cession dated 23/11/2001 of income streams
First CCMB dated 27/06/2007 for R1 520 000 over stand 739
Mogwase Unit 2

MOSES KOTANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

	2012 R	2011 R
14. Property Rates		
Actual		
Residential	928,214	889,152
Commercial	3,309,801	2,676,189
State	5,487,495	4,856,512
Holiday Resorts	20,721,996	18,690,616
Mining	1,447,380	1,366,200
Total Property Rates	<u>31,894,887</u>	<u>28,478,669</u>
Valuations		
Residential	599,816,342	308,945,966
Commercial	96,617,402	354,938,000
Industrial	173,489,000	-
State	144,936,000	565,907,784
Churches	2,171,000	2,171,000
Mining	198,000,000	198,000,000
Other Holiday Resorts	169,533,000	-
Sun City	503,187,000	424,187,000
Municipal	115,911,000	154,771,000
Farms and Tribal Land	332,335,456	351,465,000
Eskom Servitudes	154,005,000	15,405,000
Agriculture	154,238,000	0
Total Property Valuations	<u>2,644,239,200</u>	<u>2,375,790,750</u>
15. Service Charges		
Sale of water	69,520,289	45,062,869
Refuse removal	3,737,426	731,484
Sewerage and sanitation charge	2,282,306	1,101,129
	<u>75,540,021</u>	<u>46,895,482</u>

MOSES KOTANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

	2012 R	2011 R
16. Government Grant and Subsidies		
Equitable share	203,756,000	179,213,533
MIG Grant	82,657,163	32,884,854
Municipal Systems Improvement Grant	1,000,000	1,200,000
Finance Management Grant	1,250,000	1,000,000
Expanded Public Works Programme Grant	1,024,419	0
DWA Operating and Maintenance Grant	2,542,000	2,723,000
Mogwase Libraries Grant	170,935	400,000
Project Management Unit	1,718,890	0
Provincial Infrastructure Grant	7,715,250	0
Mogwase Libraries Grant	4,504,753	0
Bojanala Platinum District Municipality	400,000	0
Total Government Grants and Subsidies	306,739,210	217,421,307
16.1 Equitable share		
In terms of the Constitution this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy equal to their monthly account with a maximum water consumption of 6 kilolitres.		
All household consumers are receiving a monthly water subsidy of 6 kilolitres		
16.2 MIG Grant		
Balance unspent at beginning of year	71,599,955	19,629,108
Current year receipt	102,058,000	84,855,000
Conditions met - transferred to revenue	-78,570,805	-32,884,854
Incorrect system posting during 2011 - To be corrected in subsequent year	699,400	701
Retention	-4,098,358	0
Conditions still to be met - transferred to liabilities	<u>91,698,192</u>	<u>71,599,955</u>
16.3 Municipal System Improvement Grant		
Balance unspent at the beginning of year	0	0
Current year receipts	1,000,000	1,200,000
Conditions met - transferred to revenue	-1,000,000	-1,200,000
Conditions still to be met	<u>0</u>	<u>0</u>
16.4 Finance Management Grant		
Balance unspent at the beginning of year	0	0
Current year receipts	1,250,000	1,000,000
Conditions met - transferred to revenue	-1,250,000	-1,000,000
Conditions still to be met	<u>0</u>	<u>0</u>
16.5 Expanded Public Works Programme Grant		
Balance unspent at the beginning of year	397,000	397,000
Current year receipts	1,111,000	0
Conditions met - transferred to revenue	-1,024,419	0
Conditions still to be met - transferred to liabilities	<u>483,581</u>	<u>397,000</u>
16.6 DWA Operating and Maintenance Grant		
Balance unspent at the beginning of year	0	0
Current year receipts	2,542,000	2,723,000
Conditions met - transferred to revenue	-2,542,000	-2,723,000
Conditions still to be met	<u>0</u>	<u>0</u>
16.7 Mogwase Libraries Grant		
Balance unspent at the beginning of year	0	0
Current year receipts	400,000	400,000
Conditions met - transferred to revenue	-170,935	-400,000
Conditions still to be met	<u>229,065</u>	<u>0</u>
16.8 Provincial Infrastructure Grant		
Balance unspent at the beginning of year	3,000,000	0
Current year receipts	4,861,774	3,000,000
Conditions met - transferred to revenue	-7,715,250	0
Conditions still to be met	<u>146,524</u>	<u>3,000,000</u>
16.9 Changes in levels of government grants		

Based on the allocations set out in the Division of Revenue Act (Act no of 2011)
The equitable share will increase by 10,6% in the 2012/2013 financial year
and the MIG allocation will be increased by 6,5% in the 2013/2014 financial year.

MOSES KOTANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

16.10 Mogwase Libraries Grant	2012	2011
	R	R
Balance unspent at the beginning of year	0	0
Current year receipts	5,000,000	400,000
Conditions met - transferred to revenue	-4,504,753	-400,000
Conditions still to be met	<u>495,247</u>	<u>0</u>
16.11 DWA Operating and Maintenance Grant		
Balance unspent at the beginning of year	0	0
Current year receipts	2,542,000	2,723,000
Conditions met - transferred to revenue	-2,542,000	-2,723,000
Conditions still to be met	<u>0</u>	<u>0</u>
16.1 Bojanala Platinum District Municipality		
Balance unspent at the beginning of year	0	0
Current year receipts	400,000	0
Conditions met - transferred to revenue	-400,000	0
Conditions still to be met	<u>0</u>	<u>0</u>
17. Other Income		
Other	73,937	174,339
Photo Copies	1,500	7,535
Clearance Certificates	5,719	5,559
Refund LGSETA	618,440	215,439
Water Connections	263,490	469,608
Transfer MKDA	5,178	0
Advertising	49,815	50,489
Cemetery Fees	16,210	7,226
Property Transfer Fees	300	3,280
Building Inspection Plan Fees	90,301	78,415
Tender Document Sales	309,562	182,463
Blocked Drains	1,674	1,871
Surplus on Inventory	9,442	0
Total Other Income	<u>1,445,568</u>	<u>1,197,224</u>
18. Employee Related Costs		
Employee related costs - salaries and wages	66,123,240	59,987,660
Employee related costs - contribution for UIF, pension and medical aids	16,777,817	15,297,479
Travel, motor car, accommodation, subsistence and other allowances	7,109,777	2,022,070
Housing benefits and allowances	384,874	273,369
Overtime payment	3,544,226	3,599,572
Total	<u>93,939,934</u>	<u>81,160,150</u>
Remuneration of the Municipal Manager		
Annual Remuneration	621,853	707,245
Car allowance	45,000	108,000
Contribution to UIF, medical and pension funds	128,654	181,625
Total	<u>795,507</u>	<u>996,870</u>

MOSES KOTANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

	2012	2011		
	R	R		
19. Remuneration of the Chief Finance Officer				
Annual remuneration	853,974	816,902		
Car allowance	64,200	64,200		
Contribution to UIF, medical and pension funds	1,547	1,547		
Total	919,721	882,649		
Remuneration of Individual Executive Directors	Technical	Corporate	Community	Strategic
	Service	Services	Services	Management
30 June 2012				
Annual Remuneration	580,544	825,219	643,913	575,407
Car allowance	78,000	108,000	0	99,000
Contribution to UIF, medical and pension funds	158,059	83,384	172,712	145,196
Total	816,603	816,603	816,625	816,603
30 June 2011				
Annual Remuneration All Directors				2,303,800
Car allowance All Directors				312,000
Contribution to UIF, medical and pension funds All Directors				508,452
Total				3,124,252
20. Remuneration Of Councillors	2012	2011		
	R	R		
Mayor's allowance	384,036	348,510		
Speaker	319,418	114,393		
Executive Committee member's allowance	2,779,237	2,369,331		
Single Whip	299,296	424,848		
Councillor's allowance	5,824,484	5,032,890		
Travelling allowance	3,745,934	3,339,721		
Telephone	797,427	702,998		
Pension Fund Contribution	1,440,993	759,852		
Medical Aid Contribution	190,579	248,952		
Total Councillors' Remuneration	15,781,404	13,339,285		
Refer to annexure I for details				
21. Interest Paid				
Long-term liabilities	9,047,946	10,207,201		
Total Interest on External Borrowings	9,047,946	10,207,201		
22. Interest Received				
Interest received on Investments	8,661,310	3,869,005		
Interest received on outstanding debtors	13,208,299	6,607,814		
Interest received on Primary Bank Account	198,445	378,485		
	20,068,054	10,855,304		
23. Bulk purchases				
Water	39,992,456	31,733,454		
Total Bulk Purchases	39,992,456	31,733,454		
24. Contracted Services				
Refuse Removal	13,876,065	12,998,447		
	13,876,065	12,998,447		
25. Grant and Subsidies Paid	None	None		

MOSES KOTANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

	2012	2011
	R	R
26. General Expenses		
Included in General Expenses are the following:		
Advertising	846,352	772,378
Audit and Accounting Fees	3,087,288	1,734,456
Community Development Programme	59,470	29,087
Community Police Forum	149,604	36,658
Compilation of Valuation Roll	1,077,850	298,299
Consultants	1,103,362	1,515,397
Computers Software	2,432,906	2,235,139
Delegation and Conferences	939,085	920,401
Employee Assistant Programme	118,707	328,598
Entertainment Special Events	745,493	368,880
Expanded Public Works Programme	627,419	0
Electricity Streetlighting	5,713,399	2,671,225
Fuel	5,548,942	4,813,567
Gender and Children Programme	394,441	188,218
Financial Management Grant	1,250,000	1,000,000
Municipal System Improvement Grant	1,000,000	1,200,000
Grap Conversion	1,708,284	344,105
HIVS and AIDS Programme	130,723	53,689
IDP Revision Process	444,746	214,466
Free Basic Electricity to Indigents	1,176,773	778,788
Indigent Subsidy	337,108	480,545
Insurance	440,765	173,658
Legal Fees	5,809,913	1,800,930
Letsema	220,346	229,261
LED Projects	673,292	1,239,518
Membership Fees SALGA	825,667	545,637
Printing and Stationery	3,892,597	2,942,452
Physically Challenged People Programme	161,942	72,304
Refreshments	1,153,933	1,197,268
Travelling and Subsistence	2,321,256	2,190,163
Telephone Expenses	4,293,144	4,047,809
Training	1,273,009	1,448,721
Ward Committees Transport and Catering	2,092,318	3,036,599
Youth Programme	215,444	69,109
Other General Expenses	15,889,985	15,640,870
	<u>65,262,513</u>	<u>64,711,231</u>
Operating Leases		
Not later than one year	892,776	639,865
Later than one year and not later than 5 years	1,785,852	0
Included in General Expenses are rental leases for office equipment from Gestetner and Bekwena Systems Integrators (Pty) Ltd (639,865 for 2010/2011 and 686,527 for 2011/2012 financial years)		
The municipality do not have the option to take over ownership of the equipment when the lease period expires		
27. Correction of Error		
Correction on Investment Property	36,331,400	0
Correction on Community Assets	5,890,886	0
Correction of Interest on Civic Centre	-266,861	0
Correction of depreciation	-1,218,192	0
Adjustment on previous years expenditure	119,290	0
(Increase) / Decrease to Unappropriate Surplus Account	<u>40,665,453</u>	<u>0</u>
28. Prior Period Error		
Opening balance Unappropriated Surplus Account		235,733,042
Refunds on sale of stands	169,286	0
Payment of long service awards	1,431,406	0
Salary Adjustments previous years	747,793	0
Adjustment on suspense accounts	-575,842	0
Adjustment on petty cash	2,862	0
Adjustment on VAT not approved by SARS	4,515,528	0
Income from traffic fines	-821,618	0
Expenditure incurred by the Administrator	2,166,082	0
Adjustment on previous years expenditure	8,846,903	0
Adjustment Housing Control Account	-2,373,246	0
(Increase) / Decrease to Unappropriate Surplus Account	<u>14,233,082</u>	<u>235,733,042</u>

MOSES KOTANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

29. Cash Generated by Operations		2012	2011
		R	R
Surplus/(Deficit) for the year	App E	62,360,261	-14,546,043
Adjustment for , -			
Depreciation and amortisation	31	76,684,740	73,754,677
Loss on disposal of PPE		1,539	0
Interest Received	22	-20,068,054	0
Debt Impairment Provision	10	30,602,652	20,632,033
Interest Paid		9,047,946	0
Movements in provisions	2	8,349,297	3,896,819
Operating surplus before working capital changes:		166,978,381	83,737,486
(Increase)/Decrease in inventories	8	315,130	-7,567,750
(Increase)/decrease in consumer debtors	10	-57,572,994	-17,041,391
(Increase)/Decrease in other debtors	11	7,191,140	-4,103,580
(Decrease)/Increase in conditional grants and receipts	4	18,055,653	54,970,847
Increase/(Decrease in Creditors)	3	297,721	-13,472,467
Increase/(Decrease) in VAT payable	5	12,546,673	-1,455,506
Cash generated by ((utilized in) operations		<u>147,811,704</u>	<u>95,067,639</u>
30. Cash and cash equivalents			
Cash on hand	13	2,310	5,202
Bank balances	13	1,861,958	8,750,091
Call investment deposits	12	132,279,661	77,231,222
Total cash and cash equivalents		<u>134,143,929</u>	<u>86,986,515</u>
31. Depreciation and Amortization			
Depreciation on Property Plant and Equipment	31	75,877,615	73,754,677
Impairment		807,125	0
		<u>76,684,740</u>	<u>73,754,677</u>
32. Unauthorized, Irregular, Fruitless and Wasteful Expenditure Disallowed			
32.1 Unauthorized expenditure			
Reconciliation of unauthorised expenditure			
Opening Balance		3,870,204	990,974
Unauthorised expenditure current year		13,416,866	2,879,230
Unauthorised expenditure awaiting condonement		<u>17,287,070</u>	<u>3,870,204</u>

Unbudget expenditure: Over expenditure against budget resulted from additional depreciation charges after adjustments were made to infrastructure assets due to GRAP 17, as well as salary package paid to suspended municipality manager and salaries paid to acting head of unit

MOSES KOTANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

	2012 R	2011 R
32.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance	6,887,196	6,692,646
Fruitless and wasteful expenditure current year	3,395,601	194,550
Fruitless and wasteful expenditure awaiting condonement	<u>10,282,797</u>	<u>6,887,196</u>
Expenditure incurred on payouts to C Shimate as a result of non compliance to arbitration award of the CCMA. Payments were also made to T C Moloi and K Mogotsi regarding CCMA and Labour Court Judgements against the Council		
32.3 Irregular expenditure		
Reconciliation of irregular expenditure		
Opening balance	113,833,520	0
Irregular expenditure current year	71,303,996	113,833,520
Irregular expenditure awaiting condonement	<u>185,137,516</u>	<u>113,833,520</u>
Various expenditure items were identified during the 2011/2012 audit for which adequate supporting documentation evidence could not be provided as proof that all Supply Chain Management Procedures were followed.		
33. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
33.1 Contributions to organized local government SALGA		
Opening balance	0	0
Council subscriptions	817,365	545,637
Amount paid - current year	-817,365	0
Amount paid - previous year	0	-545,637
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>
33.2 Audit fees		
Opening balance	0	0
Current year audit fee	3,003,615	1,734,456
Amount paid - current year	-3,003,615	0
Amount paid - previous year	0	-1,734,456
Balance	<u>0</u>	<u>0</u>
33.3 PAYE, UIF and SDL		
Opening balance	0	0
Current year payroll deductions	17,832,628	10,988,749
Amount paid - current year	-17,832,628	0
Amount paid - previous year	0	-10,988,749
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>

MOSES KOTANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

33.4 Pension and Medical Aid Deductions

	2012	2011
	R	R
Opening balance	0	0
Current year payroll deduction and council contribution	23,450,034	
Previous year payroll deduction and council contribution		18,141,174
Amount paid - current year	-23,450,034	
Amount paid - previously year		-18,141,174
Balance	<u>0</u>	<u>0</u>

33.5 Councilor's arrear consumer accounts

The following councilors had arrear accounts for more than 90 days, or less, as at 30th June 2012

	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R
Councilor M Nondzaba	435	435	8,142
Councilor J Maretele	484	484	8,953
Councilor S Mollhaga	275	275	3,676
Councilor J Setou	326	326	4,992

Total Councilor Arrear Consumer Accounts	<u>1,500</u>	<u>1,500</u>	<u>25,764</u>
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30th June 2011

	Outstanding less than 90 days	Outstanding more than 90 days	Total
	R	R	R
Councilor L P Molelekeng	2,002	12,466	14,468
Councilor L.T.D Ntsamai	-90	258	168
Councilor M Nondzaba	182	3,617	3,799
Councilor J Moolaneng	-1,504	3,874	2,370
Councilor MP Moloi	863	18,163	19,026
Councilor L.M.J Tshite	584	1,690	2,274
Councilor G.E Ramorwesi	887	8,975	7,882
Councilor A. B SETOU	229	135	364
Councilor Khunou		4,347	4,347
Councilor Pheto	21	492	513
Councilor Maretele J.	484	7,294	7,778
Councilor Mollhaga R	485	2,641	3,126
	<u>4,143</u>	<u>61,952</u>	<u>66,095</u>

34. Capital Commitments

Approved in respect of capital expenditure

	2012	2011
	R	R
Land and Buildings	1,784,638	2,303,154
Infrastructure	37,298,219	53,687,789
Community	7,940,704	9,838,906
Heritage		
	<u>47,001,561</u>	<u>65,829,829</u>

Approved but not yet contracted for

	2012	2011
	R	R
Land and Buildings	35,000,000	9,200,000
Infrastructure	111,844,247	104,800,000
Community	1,500,000	23,270,000
Other	12,920,000	2,550,000
	<u>161,264,247</u>	<u>139,820,000</u>

Total	<u>208,265,808</u>	<u>205,449,829</u>
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35. Retiree Benefit Information

None

36. Contingent Liability

Refer to note 43

37. Contingent Assets

38. In-kind Donations and Assistance

None

39. Events After Reporting Date

None

40. Comparison with the Budget

Refer to Appendix E

MOSES KOTANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

41 Financial Instruments

Description	Note ref in AFS	Average effective Interest Rate	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
2012			R	R	R	R	R
Non - Interest bearing							
Creditors	3		29,749,630				
Variable Interest Rate Instruments							
Bank Overdraft							
Fixed Interest Rate Instruments							
DBSA							
Short term Loans							
Financial Guarantee Contracts			29,749,630				
2011							
Non Interest Bearing							
Creditors			29,451,909				
Variable Interest Rate Instruments							
Fixed Interest Instruments							
DBSA							
Short term Loans							
Financial Guarantee Contracts			29,451,909				

At the year end it was not probable that the counter party to the financial guarantee contract will claim under the contract. Consequently, the amount included above is nil.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

41. Financial Instruments (Continued)

The following table details the municipality's expected maturity for its non derivative financial assets

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
2012			R	R	R	R	R	R
Non - Interest bearing			80,550,288	80,550,288				
Long Term Receivables								
Trade Receivables from Exchange Transactions	9		58,390,594	58,390,594				
Trade Receivables from Non - Exchange Transactions	9		22,157,384	22,157,384				
Cash and Cash Equivalents	30		2,310	2,310				
Variable Interest Rate Instruments			134,141,619	134,141,619				
Call Deposits	30		132,279,661	132,279,661				
Bank account	30		1,861,958	1,861,958				
Fixed Interest Rate Instruments			211,425	211,425				
Fixed Deposits	7		211,425	211,425				
Finance Lease Receivables								
Notice Deposits								
			214,903,332	214,903,332				
2011								
Non - Interest bearing			60,350,188	60,350,188				
Long Term Receivables								
Trade Receivables from Exchange Transactions			43,000,313	43,000,313				
Trade Receivables from Non - Exchange Transactions			17,344,673	17,344,673				
Cash and Cash Equivalents	30		5,202	5,202				
Variable Interest Rate Instruments			85,981,313	85,981,313				
Call Deposits	30		77,231,222	77,231,222				
Bank account	30		8,750,091	8,750,091				
Fixed Interest Instruments			198,521	198,521				
Fixed Deposits	7		198,521	198,521				
Finance Lease Receivables								
Notice Deposits								
			146,530,022	146,530,022				

MOSES KOTANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

41. Financial Instruments (Continued)

The following table details the municipality's liquidity analysis for its derivative financial instruments. The table has been drawn up on the undiscounted net cash inflows (outflows) on the derivative instrument that settle on a net

Description			Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
2012			R	R	R	R	R	R
Nett Settled								
Interest rate Swaps								
Foreign Exchange Forward Contracts								
Gross Settled								
Foreign Exchange Forward Contracts								
Currency Swaps								
2011								
Nett Settled								
Interest rate Swaps								
Foreign Exchange Forward Contracts								
Gross Settled								
Foreign Exchange Forward Contracts								
Currency Swaps								
41.1 Effective Interest Rates and Repricing Analysis								
In accordance with IAS 32.57(a) and (b) the following table indicates the average effective interest rates of income-earning Financial Assets and interest bearing Financial Liabilities at the reporting periods in which they mature or reprice								
Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
2012			R	R	R	R	R	R
Secured Bank Facilities			0	0				
Unsecured Bank Facilities			0	0				
Total Fixed Rate Instruments			0	0				
VARIABLE RATE INSTRUMENTS								
Short Term Investments Deposits	30		132,279,661	132,279,661				
Bank Balances and Cash	30		1,864,268	1,864,268				
Total Fixed Rate Investments			134,143,929	134,143,929				

MOSES KOTANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

41.1 Financial Instruments (Continued)

Description	Note ref if AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
2011			R	R	R	R	R	R
FIXED RATE INSTRUMENTS								
Held to maturity instruments								
ABSA								
Secured Bank Facilities								
Unsecured Bank Facilities								
Total Fixed Rate Instruments								
Non - Interest bearing								
VARIABLE RATE INSTRUMENTS								
Short Term Investment Deposits	30		77,231,222	77,231,222				
Bank Balances and Cash	30		8,755,293	8,755,293				
Total Fixed Rate Instruments			85,986,515	85,986,515				

41.2 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments

2012
R

2011
R

42. Presentation of budget information

Refer to Appendix E

43. Material Losses

Material loss in water distribution

6,837,461

12,873,154

MOSES KOTANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

DISCLOSURES IN TERMS OF SEC. 125 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 2003

44 Subsection 125(1)(a): List of all municipal entities under sole or shared control of the municipality during the financial year and as at the last day of the financial year;

The Moses Kotane Development Agency (Pty) (Ltd) was established on 8 February 2006. The Council was the only shareholder in the company. The Council resolved (Item 75/11/2011) to disestablish the Moses Kotane Development Agency. The CIPC confirmed on 25 January 2012 that the Municipality's application for de-registration of the Moses Kotane Development Agency is approved. The current status is "Deregistration Process".

Subsection 125(1)(c): Particulars of any contingent liabilities of the municipality as at the end of the financial year;

Claims against the Municipality

1 NORTH WEST DEVELOPMENT CORPORATION (NWDC): BODIRELO INFRASTRUCTURE
Claim by NWDC for R 18 000 000 in respect of infrastructure installed by it in Bodirelo Industrial Township during 1990-1991. NWDC also questions municipality's right to hold it liable for the payment of assessment rates.

This matter could not be resolved and was submitted to the MEC for Local Government in terms of the MFMA.

From a legal point of view this claim have prescribed in law.

2 Fencacor Construction

Fencacor was a sub-contractor at the Mogwase Waste Disposal Site. A cession agreement was entered into between main contractor and Fencacor for maximum amount of R 2,2 Mil. Municipality already paid R 700 000.00 in terms of cession and as per invoices submitted. Fencacor is claiming R 2,842 111.00 saying that this amount is what they spent at site. The case is ongoing in the High Court in Mmabatho.

3 Flo-Tek Pipes

The Municipality was summoned to pay R 74 495.31 allegedly for unpaid invoices. Municipality paid R 1,1 Mil. as per invoices submitted. The case is ongoing in the Magistrates Court.

4 R&T Developers / Alert Steel

Alert Steel is a supplier of materials to contractors at the Mogwase Unit 8 Low Cost Housing project. The sub-contractor entered into cession agreement with supplier and is claiming the top-up payments and retention monies amounting to R 4 515 788.23. Municipality saying that R&T relying on wrong cession, not entitled to top-up retrospectively.

Claims on behalf of the Municipality

1 CLAIM FOR PAYMENT OF ASSESSMENT RATES: MUNICIPALITY / NWDC

The municipality has held NWDC liable for payment of assessment rates in respect of properties "owned" in terms of legislation applicable to municipal rating. The total amount due by NWDC at 30 June 2012, excluding interest, is R 12 600 777.82.

It was suggested that at the very least NWDC should pay the outstanding rates in respect of all properties other than those situated in Bodirelo, pending resolution of the dispute between the municipality and NWDC. This proposal was formally put to the legal representatives of NWDC and advising that the matter would have to be reported to the MEC and to request the latter to mediate between the parties in terms of sec. 44 of the MFMA, 2003, or alternatively proceed with legal action against NWDC for the recovery of the amount due.

NWDC is in the process to liaise with the MEC for Economic Affairs to resolve on this matter.

2 NATIONAL- AND PROVINCIAL DEPARTMENTS- The outstanding property rates and service charges for all departments amounts to R 6, 138, 805.55.

The matter has been referred to Provincial Treasury in terms of Section 44 of the MFMA.

3 MR. RANAMANE (RANAMANE PHUNGO ATTORNEYS)

Ranamane Phungo Attorneys was appointed by the Administrator, Mr. Raedanl. The partners split ways and the Municipality mistakenly paid R 214 929.90 to Ranamane Phungo account while money should have been paid to Phungo's account.

Legal action started to recover R 214 929.90 from Mr. Ranamane.

MOSES KOTANE LOCAL MUNICIPALITY

APPENDIX A

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

EXTERNAL LOANS	INTEREST RATE	LOAN NUMBER	REDEEMABLE DATE	Balance at 30/06/2011	Received during the period	Redeemed/written off during the period	Balance at 30/06/2012
				R	R	R	R
ANNUITY LOANS							
ABSA							
Annuity Loan	13.40%	30-0789-0423	30/09/2011	314,547		314,547	0
Annuity Loan	8.00%	70057781	01/07/2011	5,717		5,717	0
Annuity Loan	8.00%	70057790	01/07/2011	1,915		1,915	0
Annuity Loan	8.00%	70057803	01/07/2011	398		398	0
Annuity Loan	8.00%	73443909	01/02/2012	80,156		80,156	0
Annuity Loan	8.00%	73443933	01/02/2012	80,156		80,156	0
Annuity Loan	9.00%	8085717250		1,430,456		40,583	1,389,873
Annuity Loan	8.00%	78652344	7/04/2014	133,852		41,095	92,757
Annuity Loan	8.00%	78652280	7/04/2014	133,852		41,095	92,757
Annuity Loan	8.00%	78652018	28/04/2014	209,164		64,217	144,947
Annuity Loan	8.00%	78652632	28/04/2014	163,786		50,285	113,501
Annuity Loan	8.00%	78653146	23/04/2014	163,786		50,285	113,501
Annuity Loan	8.00%	78653030	23/04/2014	163,786		50,285	113,501
Annuity Loan	8.00%	78652905	23/04/2014	163,786		50,285	113,501
Annuity Loan	8.00%	78652999	23/04/2014	163,786		50,285	113,501
Annuity Loan	8.00%	78652069	23/04/2014	163,786		50,285	113,501
Annuity Loan	8.00%	78651917	28/02/2014	137,470		42,206	95,264
Annuity Loan	8.00%	78671136	23/04/2014	117,640		36,118	81,522
Annuity Loan	8.00%	78671314	12/07/2013	1,029,275		317,669	711,606
Annuity Loan	8.00%	78652298	07/04/2014	341,146		105,289	235,857
Annuity Loan	8.00%	78652409	07/04/2014	190,331		190,331	0
Annuity Loan	8.00%	78652263	07/04/2014	327,995		100,701	227,294
Annuity Loan	8.00%	78653588	25/03/2014	82,820		25,427	57,393
Annuity Loan	8.00%	78653008	25/03/2014	83,735		25,709	58,026
Annuity Loan	8.00%	78652891	25/03/2014	83,761		25,716	58,045
Annuity Loan	8.00%	78652417	7/04/2014	133,815		41,063	92,732
Annuity Loan	8.00%	78655114	25/03/2014	83,761		25,716	58,045
Annuity Loan	8.00%	78655262	25/03/2014	83,761		25,716	58,045
Annuity Loan	8.00%	78652611	25/03/2014	83,761		25,716	58,045
Annuity Loan	8.00%	78654916	25/03/2014	83,761		25,716	58,045
Annuity Loan	8.00%	78653952	25/03/2014	95,045		95,045	0
Annuity Loan	8.00%	78653430	25/03/2014	83,761		25,716	58,045
Annuity Loan	8.00%	78652174	27/05/2014	190,009		58,643	131,366
Annuity Loan	8.00%	78652743	26/03/2014	327,102		100,428	226,676
Annuity Loan	8.00%	78651992	04/06/2014	68,022		20,884	47,138
Annuity Loan	8.00%	78652042	27/05/2014	190,009		58,643	131,366
Annuity Loan	8.00%	78652522	27/05/2014	174,812		53,670	121,142
Annuity Loan	10.97%	Civic Centre			12,000,000		12,000,000
TOTAL ABSA				7,364,721	12,000,000	2,397,729	16,966,992
INCA							
Annuity Loan	14.00%	MOSE-00-0001	30/12/2014	10,366,917		1,062,757	9,304,160
Annuity Loan	11.40%	MOSE-00-0003	31/12/2024	11,823,179		618,860	11,204,319
Annuity Loan	11.83%	9078	31/12/2027	9,336,175		208,340	9,127,835
Annuity Loan	13.85%	18721	28/03/2024	2,865,104		87,463	2,777,641
TOTAL INCA				34,391,375	0	1,977,420	32,413,955
DBSA							
Annuity Loan	11.44%	100840	29/06/2024	7,459,158		267,634	7,191,524
Annuity Loan	11.44%	100840	29/06/2024	6,088,551		218,981	5,869,570
Annuity Loan	10.03%	101899	30/06/2021	3,804,582		234,618	3,569,964
Annuity Loan	8.80%	102482	31/12/2023	24,276,791		1,123,694	23,153,097
Annuity Loan	6.75%	27348	30/09/2011	5,165,507		5,165,507	0
TOTAL DBSA				46,774,589	0	7,010,434	39,764,155
TOTAL LOANS OUTSTANDING				88,530,686	12,000,000	11,385,563	89,145,103

MOSES KOTANE LOCAL MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2012

		cost / revaluation								Accumulated Depreciation									
	Opening Balance	Reclassification	Re Vised Opening Balance	Additions	Under Construction	Grap 17 Implem Adjustments	Correction	Disposals		Opening Balance	Reclassification	Re Vised Opening Balance	Additions	Impairment	Grap 17 Implem Adjustments	Prior year Depreciation Adjustment	Disposals	Closing Balance	
	R	R	R	R	R				R	R	R	R	R	R		R		R	R
Land and Buildings																			
Land	8,578,049		8,578,049																8,578,049
Buildings	43,061,943	92,632	43,093,974	84,109	4,500,926	662,346			10,164,929	-6,428,492	3,736,437	1,724,397	506,662		26,494	140,991		6,137,001	43,061,943
Total	51,640,000	92,632	61,672,023	84,109	4,600,028	662,346	0	0	10,164,929	-6,428,492	3,736,437	1,724,397	506,662		26,494	140,991		6,137,001	51,640,000
Infrastructure																			
Roads	20,003,347		407,202,852	6,834,291	13,014,181	1,863,097			186,439,893	3,282,173	186,722,066	33,614,895			661,146	34,857		223,032,964	20,003,347
Storm water	-4,849,745		0						183,756	-183,756	0							0	0
Bridges	-5,283,023		0						659,976	-659,976	0							0	0
Sewerage Mains & Purification	14,000,000		63,276,330	327,165	7,199,464				20,941,498	10,943,334	31,884,832	2,360,486				-795,170		33,440,148	14,000,000
Street lighting	-9,870,580		34,521,904	231,435	1,308,909	2,814,679			6,436,360	-2,438,441	3,997,909	1,860,458			140,734	14,331		6,013,432	-9,870,580
Water Reticulation	-34,412,746		284,983,819	21,685,889	5,960,178	24,660,483			70,137,205	59,477,906	129,615,111	9,443,080			1,624,308	-512,575		140,169,934	-34,412,746
Water Boreholes	21,049,082		35,036,528	371,834	110,353	2,569,041			7,910,531	6,291,859	14,202,389	3,892,792			319,148	-164,277		18,250,052	21,049,082
Water Pump Stations	-460,000		4,347,195						4,189,838	-1,820,784	2,369,054	243,889						2,612,943	-460,000
Reservoirs – Water	8,413,188		61,423,819	5,564,848	1,991,548	11,588,995			46,734,467	-26,826,056	17,908,411	3,693,028			694,346	500,893		22,794,668	8,413,188
Water Treatment Works	-13,540,000		8,930,096			901,083			19,197,698	-15,002,815	4,194,873	604,664			66,680	-87,479		4,778,736	-13,540,000
Water Bulk Pipelines	6,950,477		187,860,477	5,393,093	1,200,231	59,753			149,741,473	-31,061,443	118,680,030	6,120,591			3,414	-11,352		124,792,683	6,950,477
Refuse Disposal Site	13,639,700		1,766,954						167,564		167,564	845,152						1,012,716	13,639,700
Total	10,164,929	0	1,102,064,720	42,195,539	30,784,864	44,447,141	0	0	611,740,239	0	611,740,239	62,669,045			3,699,776	-1,020,782	0	676,899,276	10,164,929
Community Assets																			
Parks & Gardens	265,950		6,166,568	92,100					1,878,870	-101	1,878,569	210,696				-8,639		2,080,626	265,950
Libraries	-997,652		2,898,697	29,021	3,998,557				1,041,421	-157,287	884,134	88,401				1,822		972,357	-997,652
Recreational Grounds	689,223		16,442,187	1,540,776	3,404,431				1,857,698	2,348,958	4,206,656	1,320,393						5,527,049	689,223
Civic Buildings	-60,163		27,437,161	2,222,597	1,026,486	2,656,513			1,039,638	5,112,858	6,152,494	2,000,552	298,443		219,860	45,335		8,716,694	-60,163
Cemeteries	4,052,156		0						1,900,748	-875,936	1,024,812	327,445				-3,619		1,346,438	4,052,156
Total	67,699,276	-92,632	56,995,769	3,894,484	8,428,474	2,666,513	0	0	7,718,173	6,428,492	14,146,665	3,845,499	298,443		219,860	34,689		10,645,166	67,699,276
Heritage Assets																			
Sculpture	14,000		14,000								0							14,000	14,000
Total	14,000		14,000	0	0		0	0			0							14,000	14,000
Total carried forward	1,216,737,919	0	1,210,737,512	46,164,142	43,715,264	47,768,000	0	0	1,346,346,918	528,623,341	0	528,623,341	60,336,941	3,755,125	3,756,130	-946,092	0	991,680,445	1,216,737,919

MOSES KOTANE LOCAL MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2012 (Continued)

	Opening Balance June 2011	Reclassification	Re Vised Opening Balance	Additions	Under Construction	Grat 17 Implem Adjustments	Correction	Disposals	Closing Balance	Opening Balance	Reclassification	Re Vised Opening Balance	Additions	Impairment	Grat 17 Implem Adjustments	Prior year Depreciation Adjustment	Disposals	Closing Balance	Carrying Value June 2012
	R	R	R	R	R		R	R	R	R	R	R	R	R			R	R	R
Total brought forward	1,210,737,812	0	1,210,737,812	46,164,142	43,715,264	47,768,000	0	0	1,348,384,916	629,623,341	0	629,623,341	68,338,941	807,125	3,756,130	-845,082	0	681,680,445	748,794,473
Other Assets																			
Furniture & Fitting	4,536,900		4,536,900	606,412				-650,745	4,572,575	4,038,772		4,038,772	208,570					4,327,342	245,233
Motor vehicles	28,960,285		28,960,285	3,143,289				-126,754	29,976,820	18,067,795		18,067,795	2,388,065				-40,109	21,215,751	8,781,069
Office Equipment	6,455,146		6,455,146	538,951					6,994,097	4,941,538		4,941,538	680,292					5,629,830	1,364,267
Plant and Equipment	6,779,974		6,779,974	383,242					7,163,216	4,870,953		4,870,953	751,140					5,622,093	1,541,123
Total	44,732,313		44,732,313	4,781,894				-777,499	48,708,706	32,719,058		32,719,058	4,116,067	0			-40,109	38,795,016	11,911,082
Total assets	1,255,469,826	0	1,255,469,826	50,916,036	43,715,264	47,768,000	0	-777,499	1,367,081,626	562,342,399		562,342,399	72,455,006	807,125	3,756,130	-845,082	-40,109	638,475,461	755,616,188

MOSES KOTANE LOCAL MUNICIPALITY

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

	COST							Accumulated Depreciation									
	Opening Balance	Reclassification	Additions	Under Construction	Grp 17 Implem Adjustments	Correction	Disposals	Closing Balance	Opening Balance	Reclassification	Additions	Impairment	Grp 17 Implem Adjustments	Prior year Depreciation Adjustment	Disposals	Closing Balance	Carrying value
	R	R	R	R			R	R	R	R	R			R	R	R	R
Executive & Council	8,614,349		923,512				-404,938	9,132,923	4,704,051		766,413				-404,938	5,085,526	4,067,397
Municipal Manager								0								0	0
Budget and Treasury Office	1,914,766		3,163					1,917,929	1,262,680		218,661					1,461,361	436,577
Corporate Services: Properties	82,802,337	32,479	2,718,261	5,527,412	662,346		-245,807	91,297,028	9,888,931		3,725,927	807,125	246,354	186,326	-245,807	14,800,699	76,500,172
Corporate Services: Other Admin	2,852,701		2,745,914					5,598,615	5,314,355		315,386				-40,109	5,599,632	8,983
Planning & Development	1,836,128		402,126				-126,754	2,111,500	2,092,206		916,147					3,008,353	496,653
Libraries and Archives	4,210,513	-997,650	29,021	3,998,557				7,240,441	698,550		86,401			1,822		798,773	6,443,668
Cemeteries	4,803,586							4,803,586	1,973,927		327,445					2,301,372	2,502,214
Community Services Other								0								0	0
Public Safety Streetlighting	1,972,636	-9,870,580	231,435	1,308,909	2,814,679			-3,542,721	3,997,909		1,854,269		140,734	14,331		6,007,243	8,546,984
Public Safety Other								0								0	0
Sport & Recreation	23,223,155	965,173	1,898,500	3,404,431				29,491,259	5,799,655		1,554,192			-8,639		7,346,218	22,145,051
Waste Water Management Sewerage	49,446,376	14,000,000	327,185	7,199,464				71,013,025	31,884,832		2,569,826			-795,170		33,699,493	37,313,532
Waste Management Solid Waste	13,038,700		1,786,954					15,425,654	167,564		845,152					1,612,716	14,413,938
Road Transport: Roads	480,128,863	9,870,579	6,834,291	13,014,181	1,863,097			491,706,911	188,722,066		34,891,782		661,146	34,857		224,309,851	267,396,162
Water	600,386,514	-14,000,001	33,015,674	9,262,310	42,427,878			671,092,375	305,835,663		24,383,407		2,707,896	-278,619		332,648,347	338,444,028
TOTAL	1,256,469,825	0	50,916,036	43,715,264	47,768,000	0	-777,489	1,367,081,626	562,342,399	0	72,455,008	807,125	3,756,130	-845,092	-690,854	837,824,716	789,286,910

MOSES KOTANE LOCAL MUNICIPALITY

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

2011	2011	2011		2012	2012	2012
Actual	Actual	Surplus/	SEGMENTAL DEPARTMENT	Actual	Actual	Surplus/
Income	Expenditure	(Deficit)		Income	Expenditure	(Deficit)
R	R	R		R	R	R
65,449	58,151,210	-58,085,761	Executive & Council		66,143,952	-66,143,952
	2,906,072	-2,906,072	Municipal Manager		3,832,323	-3,832,323
203,470,839	25,536,773	177,934,066	Budget and Treasury Office	306,580,685	34,281,244	272,299,441
	10,505,771	-10,505,771	Corporate Services: Properties	0	14,234,158	-14,234,158
215,439	29,735,333	-29,519,894	Corporate Services: Other Admin	618,440	30,295,753	-29,677,313
79,415	11,483,128	-11,413,713	Planning & Development	80,301	12,338,823	-12,258,522
407,535	880,412	-482,877	Libraries and Archives	172,435	772,066	-599,631
7,226	1,260,238	-1,253,012	Cemeteries	18,210	892,320	-874,110
	2,030,373	-2,030,373	Community Services Other		2,036,542	-2,036,542
	6,180,519	-6,180,519	Public Safety Streetlighting		9,472,564	-9,472,564
	1,932,633	-1,932,633	Public Safety Other	1,130,660	2,785,928	-1,655,268
0	10,059,013	-10,059,013	Sport & Recreation	0	10,560,476	-10,560,476
6,349,000	5,208,458	1,140,542	Waste Water Management Sewerage	8,382,308	5,586,493	2,795,815
17,347,484	15,921,110	1,426,374	Waste Management Solid Waste	20,537,426	24,583,468	-4,046,042
2,228,519	59,011,325	-56,782,806	Road Transport: Roads	1,718,890	52,443,572	-50,724,682
74,899,478	93,901,847	-19,002,369	Water	98,071,731	117,785,744	-19,714,013
305,070,384	332,724,216	-27,653,831	Sub Total	437,316,884	368,086,414	69,230,470
	-13,107,788	13,107,788	Less: Inter-departmental charges		-13,107,791	13,107,791
305,070,384	319,616,427	-14,546,043	Total	437,316,884	374,956,523	62,360,361
Deficit		-14,546,043	Surplus			62,360,361

MOSES KOTANE LOCAL MUNICIPALITY

APPENDIX E

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 20102

	2012	2012		2012	2012	2012
REVENUE	Budget			Actual	Variance	Variance
	Approved	Adjustment	Final			
	R	R	R	R	R	%
Property rates (see note 14)	32,584,400	0	32,584,400	31,894,887	689,513	2.12%
Service charges (see note 15)	85,295,298	-2	85,295,298	75,540,021	-19,244,725	-34.19%
Rental of facilities and equipment						
Interest earned - external investments	3,000,000	500,000	3,500,000	6,861,310	-3,161,310	-90.32%
Interest earned - outstanding debtors	12,000,000	0	12,000,000	13,208,299	-1,208,299	-10.07%
Interest earned - Primary Bank Account	1,000,000		1,000,000	198,445	801,555	80.16%
Traffic Fines	2,000,000	120,910	2,120,910	1,130,860	990,250	46.69%
Commission Received				80,195		
Sale of Stands				420,289		
Government grants and subsidies	212,467,000	3,366,058	215,833,058	211,465,044	4,368,014	2.02%
Government grants and subsidies MIG				95,274,188	-95,274,188	
Other income (see note 17)	1,684,330	6,000	1,690,330	1,445,668	244,762	14.46%
Total Revenue	321,031,020	3,992,966	325,023,984	437,313,080	317,038,062	31.52%
EXPENDITURE						
Executive & Council	80,509,251	4,214,055	84,723,306	88,143,952	-1,420,646	-2.19%
Municipal Manager	4,440,654	-817,397	3,623,257	2,241,917	1,381,340	38.12%
Budget and Treasury Office	31,775,726	-3,072,481	28,703,244	28,422,297	280,947	0.98%
Corporate Services: Properties	16,976,477	-1,250,941	15,725,536	14,234,158	1,491,378	9.49%
Corporate Services: Other Admin	40,634,346	-10,923,043	29,711,303	27,092,128	2,619,175	8.82%
Planning & Development	14,087,078	-1,422,697	12,664,381	11,726,971	937,410	7.40%
Libraries and Archives	1,809,179	-37,905	1,571,274	772,066	799,218	50.86%
Cemeteries	1,464,341	-348,984	1,115,357	882,320	225,037	20.14%
Community Services Other	984,683	606,725	1,591,408	1,481,083	110,325	6.93%
Public Safety Streetlighting	7,300,507	1,467,730	8,868,237	9,472,584	-616,327	-6.96%
Public Safety Other	2,114,564	-28,654	2,085,910	2,785,926	-700,016	-33.56%
Sport & Recreation	12,017,939	-938,406	11,079,533	10,560,476	519,057	4.68%
Waste Water Management Sewerage	7,251,146	-3,028,517	4,222,529	5,585,493	-1,371,964	-32.48%
Waste Management Solid Waste	21,358,645	-8,228	21,350,417	24,583,468	-3,233,051	-15.14%
Road Transport: Roads	38,619,220	5,051,342	43,670,562	51,166,070	-7,495,508	-17.16%
Water	115,539,512	2,593,800	118,133,112	117,786,744	346,368	0.29%
Total Expenditure	376,771,269	-7,938,903	368,831,366	374,066,623	384,711,172	9.08%
NET SURPLUS/(DEFICIT) FOR THE YEAR	-55,740,241	11,932,869		62,360,281		

**Explanation of Significant Variances
greater than 10% versus Budget**

The Increase is due to more accurate water billing charges
The council has implemented the E-Venus system as from December 2010
More funds were invested than anticipated for
Debtors are not committed to pay for services and therefore the increase
More funds were invested than leaving high balances on current account
The accrual basis for traffic fines has been applied and therefore the
increases in traffic fines which represents outstanding fines
Provision has not been made for the sale of stands

MIG commitments met and transferred to revenue

The municipal Manager was suspended and received a settle amount
for only a few months which is less than his total package for the year

Savings on depreciation charges
Savings on repair and maintenance and finance charges

Overspent on salaries due to the acting of the Head of Unit as director
of Community Services due to the suspension of the director by the council

The overspent is due to the under provision for depreciation

The overspent is due to the under provision for depreciation

MOSES KOTANE LOCAL MUNICIPALITY

APPENDIX F

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2013

SEGMENTAL DEPARTMENT	2012 Actual	2012 Under Construction	2012 Total Additions	2012 Budget	2012 Variance	2012 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	%	
Executive & Council	923,512		923,512	1,080,000	136,488	13%	Saving on the purchase of office equipment
Municipal Manager			0	30,000	30,000	100%	Saving on the purchase of office equipment
Budget and Treasury Office	3,163		3,163	660,000	656,837	100%	The purchase of electronic equipment for the meter readers did not realize
Corporate Services: Properties	2,718,261	5,527,412	8,245,673	21,992,914	13,747,241	63%	The erection of Community Halls and extension of the Civic Centre Will only realize in the 2012/2013 Financial Year
Corporate Services: Other Admin	2,745,914		2,745,914	1,550,000	-1,195,914	-77%	Saving on the purchase of office equipment
Planning & Development	402,126		402,126	9,200,000	8,797,874	96%	Various capital projects did not come off the ground as expected
Libraries and Archives	29,021	3,998,567	4,027,578	9,900,000	5,872,422	59%	The erection of libraries are still in the planning phase
Cemeteries			0	3,000,000	3,000,000	100%	These projects will be executed during the 2012/2013 financial year
Public Safety Streetlighting	231,435	1,308,909	1,540,344	15,000,000	13,459,656	90%	The contractors has been appointed and the projects will be completed during the first half of the year
Sport & Recreation	1,898,500	3,404,431	5,302,931	14,139,145	8,836,214	62%	The contractors has been appointed and the projects will be completed during the first half of the year
Waste Water Management Sewerage	327,185	7,199,484	7,526,669	18,288,497	10,761,828	59%	The contractors has been appointed and the projects will be completed during the first half of the year
Waste Management Solid Waste	1,786,954		1,786,954	875,774	-1,111,180	-164%	The expenditure on this report was under estimated
Road Transport: Roads	6,834,291	13,014,181	19,848,472	38,412,898	18,564,226	48%	Late implementation of projects as well as labour issues in the Project Management Unit influenced the execution of the capital projects
Water	33,015,874	9,262,310	42,277,984	80,306,815	38,028,831	47%	Late implementation of projects as well as labour issues in the Project Management Unit influenced the execution of the capital projects
TOTAL	60,916,036	43,715,264	94,631,300	214,216,843	-119,584,543		

MOSES KOTANE LOCAL MUNICIPALITY

APPENDIX G

DISCLOSURES IN TERMS OF SECTION 123 OF THE MFMA: GRANTS AND SUBSIDIES RECEIVED FOR THE YEAR ENDED 30 JUNE 2012

Name of Grant	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and subsidies delay/withheld				Reason for delay/withholding of funds	Did your Municipality comply with the grant framework in the latest Division of Revenue Act	Reason for non-compliance
		September	December	March	June	September	December	March	June	September	December	March	June			
Equitable Share	DPLG	84,898,000	65,129,000	53,720,000		50,936,750	50,936,750	50,936,750	50,936,750	None	2,790,000	None	None	Underspending	Yes	
Municipal Systems Improvement	DPLG	1,000,000				400,000	43,000	397,000	160,000	None	None	None	None	on M/G	Yes	
Finance Management	DPLG	1,250,000				210,000	567,000	263,000	180,000	None	None	None	None		Yes	
Municipal Infrastructure	DPLG	500,000	46,050,000	53,508,000		21,868,000	25,168,000	8,961,000	22,577,805	None	None	None	None		Yes	
DWAF Operating and Maintenance	DWAF	847,000	847,000	848,000		847,000	847,000	848,000		None	None	None	None		Yes	
Expanded Public Works Programme	DPLG		1,111,000				90,000	60,521	868,023							

MOSES MOTANE LOCAL MUNICIPALITY		
APPENDIX H		
STATISTICAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2012		
General statistics	2012	2011
Population	236,845	236,845
Registered voters	116,000	116,000
Valuation date: January 2008 with effect from 1 July 2008		
Total valuations		
Market Value	2,644,239,200	2,197,590,750
Provisional Supply Land		
Valuation Roll Improvements		
Improved		
Assessment rates	0	
Calculated on the improved value of the property		
Residential per rand	0.0022	0.0021
	Less 17,000 on valuation plus a rebate of 20% if developed	Less 17,000 on valuation plus a rebate of 20% if developed
Mining	0.0731	0.0690
Commercial	0.0211	0.0189
Other properties and right in land	0.0309	0.0292
Sun City	0.0324	0.0308
Government properties and Tertiary Institutions	0.0475 less 20%	0.0449 less 20%
Industrial	0.0086	0.0081
Number of properties		
Residential Formal	4,437	4,437
Commercial Formal	63	63
Churches Formal	42	42
Service charges: (Per site)		
Refuse Removal		
Residential Madikwe	18.40 plus VAT	17.36 plus VAT
Commercial Madikwe	36.80 plus VAT	34.72 plus VAT
Residential Mogwase	18.40 plus VAT	17.36 plus VAT
Commercial Mogwase	36.80 plus VAT	34.72 plus VAT
Sewerage		
Residential Madikwe	17.36 plus VAT	17.36 plus VAT
Commercial Madikwe	34.72 plus VAT	34.72 plus VAT
Residential Mogwase	17.36 plus VAT	17.36 plus VAT
Commercial Mogwase	17.36 plus VAT	17.36 plus VAT
Industries	4.24 on 60% of water consumed	4.24 on 60% of water consumed
Water		
Residential	0 to 6kl Free of Charge	0 to 6kl Free of Charge
	6.1 to 45 kl R9.2	6.1 to 45 kl R8.36
	45.1kl and above R10.57	45.1kl and above R9.61
Small Business and State Department	0 to 45kl R9.2	0 to 45kl R8.36
	45.1kl and above R11.02	45.1kl and above R10.02
Bulk Consumers	R6.94 per kl	R6.31 per kl
Industrial and large consumers	R9.5 per kl	R8.62 per kl
All water tariffs are excluding VAT		
Water Statistics		
Number of users	20,761	20,174
Kl Purchased	12,237,706	11,786,455
Kl Sold	9,183,126	5,643,729
Free basic Kl	859,181	1,373,184
Kl Lost in distribution	2,195,399	4,769,542
Percentage lost in distribution	18	40
Cost per kl bought	3.160	2.720
Loss in distribution	2,195,399	4,769,542
Cost per kl sold	13.21	12.79
Income per kl sold	4.06	7.77
Number of employees	400	395
Number of councillors	62	60

MOSES KOTANE LOCAL MUNICIPALITY
APPENDIX I
ALLOWANCES OF COUNCILORS

COUNCILLOR	POSITION	Allowance 2011/2012	Telephone Allowance	Pension	Medical	Travelling Allowance	Total 2011/2012
MOKATI-THEBE F	Mayor	384,036		57,695	17,280	152,974	611,895
TOTAL	1	384,036	0	57,695	17,280	152,974	611,895
DIALE R A	Speaker	319,418	18,672	47,887	0	122,378	508,356
TOTAL	1	319,418	18,672	47,887	0	122,378	508,356
Nicotswe M.N	Executive	299,296	18,840	44,895	0	114,730	477,761
Tshethane D R	Executive	298,118	18,840	44,718	1,355	114,730	477,761
Motshabi C.N	Executive	291,392	18,840	43,709	9,091	114,730	477,761
Setou A B	Executive	284,270	18,840	42,841	17,280	114,730	477,761
Lesele K	Executive	299,296	18,840	44,895	0	114,730	477,761
Manganya T	Executive	299,296	18,840	44,895	0	114,730	477,761
Moditela D	Executive	299,296	18,840	44,895	0	114,730	477,761
Tlabyane D R	Executive	284,270	18,840	42,841	17,280	114,730	477,761
Vava S.S	Executive	124,707	7,850	18,706	0	47,804	199,067
Motshagwe K	Executive	299,296	18,840	44,895	0	114,730	477,761
TOTAL	10	2,779,237	177,410	416,850	45,006	1,060,374	4,468,817
Matshaba M.Z	Councillor	299,296	18,840	44,895		114,730	477,761
VAVA S		299,296	18,840	44,895	0	114,730	477,761
Deleki N	Councillor	69,854	5,853	10,463		26,770	113,940
Ndlovu H	Councillor	119,719	11,748	17,958		45,892	195,317
Khunou M K	Councillor	105,203	11,748	15,795	16,678	45,892	195,317
Letlape A.T	Councillor	119,719	11,748	17,958		45,892	195,317
Lephoto E T	Councillor	119,719	11,748	17,958		45,892	195,317
Leoto D M	Councillor	119,719	11,748	17,958		45,892	195,317
Lukhele R.M	Councillor	119,719	11,748	17,958		45,892	195,317
Magodiso M.A	Councillor	119,719	11,748	17,958		45,892	195,317

MOSES KOTANE LOCAL MUNICIPALITY
APPENDIX I
ALLOWANCES OF COUNCILORS (Continued)

COUNCILLOR	POSITION	Allowance 2011/2012	Telephone Allowance	Pension	Medical	Travelling Allowance	Total 2011/2012
Makgothi M.S	Councillor	119,719	11,748	17,958		45,892	195,317
Manganye SM	Councillor	119,719	11,748	17,958		45,892	195,317
Mashimo R E	Councillor	119,719	11,748	17,958		45,892	195,317
Mashishi S. N	Executive	119,719	11,748	17,958		45,892	195,317
Matlapeng S.S	Councillor	119,719	11,748	17,958		45,892	195,317
Mekgwe J.D	Councillor	119,719	11,748	17,958		45,892	195,317
Rakatane B	Councillor	104,693	11,748	15,704	17,280	45,892	195,317
Mkhandawiri P.P	Councillor	119,719	11,748	17,958		45,892	195,317
Mngomezulu P. P	Councillor	119,719	11,748	17,958		45,892	195,317
Moate L	Councillor	118,467	11,748	17,770	1,440	45,892	195,317
Moatshe G.D	Councillor	119,719	11,748	17,958		45,892	195,317
Mokgathe M.M	Councillor	119,719	11,748	17,958		45,892	195,317
Moloi F	Councillor	119,719	11,748	17,958		45,892	195,317
Monyatsi V	Councillor	105,757	11,748	15,854	16,056	45,892	195,317
Monnakgotla T	Councillor	119,719	11,748	17,958		45,892	195,317
Selotlago J	Councillor	105,206	11,748	15,796	16,675	45,892	195,317
Moraopa S.S	Councillor	119,719	11,748	17,958		45,892	195,317
Moeng T.J	Councillor	119,719	11,748	17,958		45,892	195,317
Morua E.G	Councillor	119,719	11,748	17,958		45,892	195,317
Motshagoe D.M	Councillor	119,719	11,748	17,958		45,892	195,317
Motlhaga P.R	Councillor	119,719	11,748	17,958		45,892	195,317
Nhlapo L	Councillor	108,915	11,748	16,338	12,424	45,892	195,317
Ramapotoka G	Councillor	119,719	11,748	17,958		45,892	195,317
Motsoenyane M.Z	Councillor	119,719	11,748	17,958		45,892	195,317
Matsheang E	Councillor	119,719	11,748	17,958		45,892	195,317
Moyo D.F	Councillor	119,719	11,748	17,958		45,892	195,317
Masilo J	Councillor	119,719	11,748	17,958		45,892	195,317
Nondzaba M	Councillor	104,692	11,748	15,705	17,280	45,892	195,317
J Maretele	Councillor	105,272	11,748	15,809	16,596	45,892	195,317
Pele J.M	Councillor	118,467	11,748	17,770	1,440	45,892	195,317
Rasepae M.D	Councillor	119,719	11,748	17,958		45,892	195,317
Pheto M.R	Councillor	119,719	11,748	17,958		45,892	195,317
Ntshabele S	Councillor	108,915	11,748	16,338	12,424	45,892	195,317
Radiokana J.M	Councillor	119,719	11,748	17,958		45,892	195,317
Ramokoka A.R	Councillor	119,719	11,748	17,958		45,892	195,317
Sekao H.B	Councillor	119,719	11,748	17,958		45,892	195,317
Sekhu S.K	Councillor	119,719	11,748	17,958		45,892	195,317
Sitha M.L	Councillor	119,719	11,748	17,958		45,892	195,317
Tau D.D	Councillor	119,719	11,748	17,958		45,892	195,317
Thusi M.B	Councillor	119,719	11,748	17,958		45,892	195,317
Tshile L.M.J	Councillor	119,719	11,748	17,958		45,892	195,317
	51	5,624,464	562,505	873,715	128,253	2,275,476	9,604,473
	62	9,606,471	797,427	1,440,892	190,579	3,745,933	15,781,402